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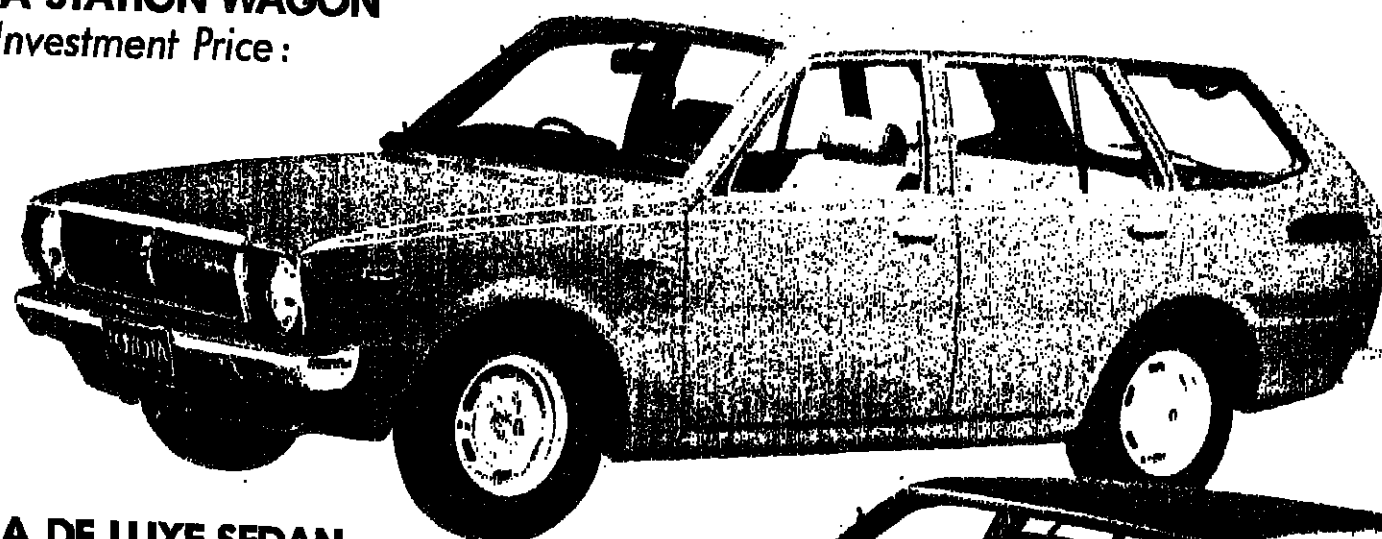
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TOYOTA

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Insurer casts lifeline to Tether Ltd's clients

by Rae Mazengarb

A "HOUSE OF CARDS" operation has been mounted by Auckland-based Universal Guarantee Assurance Co Ltd to provide insurance cover for clients of the broking company R Tether (Insurance) Ltd.

Universal Guarantee will place the insurance through Lloyds and S H Hall (USA). In general, clients will pay a higher rate of premiums than they paid with Tether Insurance.

It is understood only about 150 clients remain, wanting cover for aircraft and boats up to \$10,000 each.

The number of original clients is not known, but it has been suggested some 200 aircraft and 100 boats may have been insured through the broking company.

The Supreme Court in Auckland ordered the appointment of a provisional liquidator of Tether Insurance on August 13, after an investigation into the company's affairs by the Commercial Affairs Division of the Justice Department.

The underwriting company Commodore General Insurance, had declined responsibility for much of the insurance written by Tether Insurance on behalf of it.

Universal Guarantee was established six years ago as a private company by the Ryan family of Auckland.

It has recently arranged to provide for clients still on Tether Insurance's books through the broking firm of Anthony Ryan & Co Ltd.

Russell Tether, the principal of R Tether (Insurance) Ltd has written to his clients, enclosing a proposal form addressed to Anthony Ryan and Co.

The underwriting arrangement with the overseas underwriting company Commodore General Insurance had proved "unsatisfactory", and "to protect clients we have arranged interim cover through Anthony Ryan & Co Ltd, registered insurance brokers until August 24, 1979 at competitive rates with local underwriters", the letter said.

"Our business arrangements with Commodore... are now the subject of legal action and it is our intention to advise you further as to the recovery of premiums and outstanding claims as soon as possible."

Unfortunately the premiums paid to Commodore can't be recovered (at this moment in time) so if you wish continuance of your protection past August 24, 1979 it will be

necessary to complete the attached proposal form and return it to Anthony Ryan & Co, P O Box 37377, Paritutu, together with your commitment payable to that company of (amount) ... which will ensure cover until ... with terms and conditions to be advised following receipt of the proposal. If the proposals and premiums are not in the mail by August 24 it will be assumed you have made other arrangements and cover lapses."

A Wellington yacht-owner said he would have been required under this arrangement to pay an extra \$173 premium on top of his previous premium to insure his boat up to the original expiry date of the policy.

But he had already made alternative arrangements. The General Manager of Universal Guarantee Assurance, M Moynihan, said his company's arrangement was with a broking company which he declined to name.

NBR established it is Anthony Ryan and Co.

"It just so happens the business is on the books of Tether Insurance", Moynihan said.

Anthony Ryan, a Universal Guarantee shareholder, said just before Tether Insurance was put into liquidation, Anthony Ryan & Co Ltd - registered insurance brokers - arranged a blanket cover for Tether Insurance's clients that were with Commodore.

"We're talking about \$1 million worth of cover and premium income of around \$100,000", Ryan said.

Ryan covered these clients for 14 days out of his own pocket until other insurance cover was arranged through Universal. It cost him \$2000.

He said there were two reasons for doing this: To give clients protection and to increase his portfolio.

There had been a good response to the letter to clients and the resulting business would bring in between \$20,000 to \$40,000 in premium income.

Some clients will now be dealing through their third broker in quick succession, Pagan and Associates who sold the portfolio to Tether Insurance, and now Anthony Ryan and Co Ltd.

Along the way many clients have dropped out, including Sealords with its \$3 million worth of cover.

Moynihan said his company had written some business for Tether Insurance some time ago, but it advised notice of cancellation of dealings with the company late in 1977.

He said this had been a "policy decision".

In 1977 Tether was a shareholder of Universal Guarantee, owning some 11,000 shares. But these shares were sold early in 1978, according to Company Office records.

The most recent annual report of Universal Guarantee announced that company's intention to go public, at the same time increasing share capital from \$1 million to \$2 million.

Premium income for the company has increased from less than \$25,000 for the 1973-74 year to more than \$1.5 million last financial year.

Gerald Ryan, Universal Guarantee's chairman of directors, told NBR report.

The New Zealand insurance market is anything but buoyant. Over the last 12 months we have seen the emergence of selling

techniques which I believe emanate from Australia.

"We all know that the Australian insurance market has been a comparative disaster and depressed for some time, with the resultant corporation crashes and large underwriting losses."

"The appointment of an Insurance Commissioner and legislation by central government to control the insurance market has been the Australian experience. Is that what we want for New Zealand? Do we want our Government to have to regulate us?"

According to Ryan "Some of the current premiums being quoted by underwriters and brokers cannot be a viable rate. Companies after an economic crisis, in time there is a price to pay."

The report is dated July 26, 1979.

More NBR reports: Pg 4.

Legal action unaffected by sale of Perpetual

by Rae Mazengarb

THE Australian Mutual Provident Society has been successful in its bid to acquire the shares of the Perpetual Trustees, Estate and Agency Co of New Zealand Ltd, the Dunedin company which met with financial difficulties in 1975.

The purchase price was \$3.25 million, according to acting New Zealand manager of AMP Godfrey Bowles.

Settlement date is September 28, if the purchase receives the approval of the Overseas Investment Commission and the Commerce Commission.

The announcement was made last week by S.J.R. Chatten, chairman of the Statutory Board of Perpetual and its substitute company, created in terms of the Trustee Companies Management Amendment Act 1978.

The Amendment Act - passed very quickly in the 1978 Parliamentary session - was designed to pave the way for a takeover.

A breach of trust action which had been hanging over Perpetual before the Government provided for a substitute company to be created - is still proceeding.

But Chatten said AMP has purchased a company which

now has "a clean bill of health".

That action will now not have any bearing on the liabilities of Perpetual Trustees.

In March this year, when the Amendment Act was applied, all liabilities attached to Perpetual were transferred to the substitute company.

All shares were also transferred and shareholders received shares in the substitute company.

"We got the surplus cash and investments out of Perpetual", said Chatten.

The liability to the BNZ - which advanced some \$5 million to Perpetual - would be paid off. The rest will remain in reserve pending the outcome of the court action.

If there is a surplus, it will be distributed to shareholders; if there is a deficiency, those shareholders will be liable in terms of the original uncalculated liability, that is, up to \$10, per share. Then the substitute company will be liquidated.

Earlier this year at least half a dozen companies - including both National Insurance and New Zealand Insurance - had expressed interest in buying Perpetual Trustees.

But before the company could be bought, liabilities and

(Continued on page 7)

Inside:

AT THE very time we are planning increased export volumes, the rest of the world is not in a buying mood. Our Economics Correspondent looks at developments overseas and suggests brighter days are not ahead for the economy because the terms of trade will fall again - Page 10

NBR'S SPECIAL CAR annual feature looks at the motor industry as it moves into the 1980s, focusing on profitability, and the effects of the fuel crisis on marketing methods. Peter O'Brien believes the market shows little chance of substantial real profit growth in the short term relative to alternative investments in other industries. Our motoring writers look at the best buys in the executive range; and for those who can afford the outlay, the Rolls could work out as the cheapest car to own - Pages 20-36

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A good safe analysis for a good safe seat

by Colin James

"WHAT by-election?" said the Prime Minister when a radio reporter rang him up for comment.

Well, sir, the by-election in which your special hate, the ivory tower academic Geoffrey Palmer, came first and your party came third.

Didn't this mean that Nats had deserted for Social Credit? "In city seats it is Labour votes that go to Social Credit and that's something the Labour Party has got to be worried about for 1981," said the man who nearly lost in 1978.

President George Chapman: "We will certainly be examining Social Credit policies which in a political sense are not viable. We chose to ignore them in 1978, but in 1981 we will publicly counter them."

Social Credit leader Bruce Beetham, jubilant: "The much greater appreciation of Social Credit policies by the electorate at large is a further and perhaps now the most important factor of all" (in the rise of the league's support).

"The result shows that Labour is stagnating. The only significant increase is in the percentage increase to Social Credit. Social Credit has gained at National's expense where Labour wanted to so badly."

Labour leader Bill Rowling: "It was a good representation of how New Zealanders feel at the moment."

Labour president Jim Anderson: "The same swing across the country would make us the Government with 20 to

30 seats and I cannot be too unhappy about that."

Labour victor Palmer said the result showed a total collapse of National's campaign and a total collapse of the National vote.

The Prime Minister: "I think our people just didn't vote because they knew they couldn't win."

Chapman: "We did not make much effort on the grounds that Labour would win and all we should do was put up a candidate."

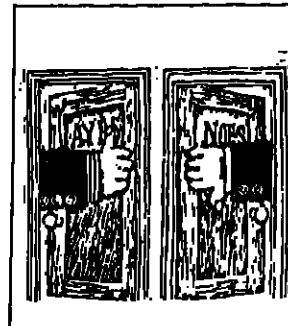
Rowling: "This particular seat has always been a difficult one in terms of the poll. It was a very low poll in the general election. And because of its strong support for Labour in the past it was much more difficult to get our people in particular to come out."

Anderson: "The most disturbing thing is that so many did not vote. In these disturbing times I would have expected less apathy and I would have expected that fewer protest votes against the Government would have gone negatively to Social Credit."

"We failed to set the campaign alight because of a lack of a serious national policy. The responsibility is on us as clearly the alternative Government to promote constructive policies."

Social Credit candidate Heffernan: "Labour is not being regarded as an alternative to the Government."

And so on: take your pick of explanations according to what you want to read into it. Labour, looking for comfort:



POLITICS

Labour's share of the poll went up.

Labour, critical of the leadership: We didn't have the policies.

National, Mark I: Our people didn't bother to vote and in any case it is more of a fright for Labour, since that is where Social Credit votes came from.

National, Mark II: We made sure our people didn't bother to vote by not campaigning, so that we had an excuse. But we are scared of Social Credit and will fight it when the time comes.

Social Credit: This proves the Labour Party is in decay. What it proves is that by-elections in safe seats don't amount to a row of beans.

You can say, first-off that there was a swing from the Government to Labour. As a percentage of all votes cast, on the two election days, that was 4.9 per cent.

Labour's share of the votes cast went up 1.7 per cent while National's went down 8.17 per cent. Add them together and divide by two.

But that swing may be

higher than it would have been somewhere else in the country, since the anti-Government feeling in Christchurch as reflected in the 1978 election swing was much higher than elsewhere.

Alternatively you can argue that Christchurch led the anti-Government way in December and that the swing in a by-election elsewhere would have been catching up and thus would have been higher than in Christchurch.

In any case, a 5 per cent swing against a Government is natural in mid-term, even if the Government is not doing too badly.

But this one has been in trouble all this year. Any swings should be in the 10-20 per cent range, as they were in Britain in the trough of Labour support in the mid-1970s.

The 7.85 per cent swing for Christchurch Central quoted widely after the election is calculated as a percentage of the vote for Labour and National only. On that basis, the British swings ranged from 11 per cent to 27 per cent.

So, if you are of a mind to, you can interpret the result as a slap in the face for Labour.

Alternatively, you can argue that the Social Credit votes came from National, while Labour voters stayed home because they knew they had it won. Or that Social Credit picked up erstwhile Values votes.

In any case, does it not look worse for National than Labour, since National fell into third place?

Well, yes — and no. If National had not put up a

candidate, it would have been impossible to tell how badly it had done.

Instead, it did the next best thing — gave him very little support. How much relevance can be placed on the National collapse?

And Social Credit's rise, was it a real rise? Well, yes, in terms of votes. 341 of them, comparing figures on the two election nights.

And, yes, in terms of percentage of the poll — 9.52 per cent.

But, dammit, should not third parties rise in off years? Well, yes. The Liberals went up 17.3 per cent in one safe seat by election in Britain in 1976.

But by-elections have a cruel habit of raising third party hopes only for them to be dashed again in the general election.

Last year's February Rangitikei promise of four to six seats in November did not materialise.

If, as Chapman keeps arguing, 1981 will be a fight between a Government and a party perceived by the public as possibly the Government — between National and Labour — and not, as it was last year, a fight between the Government and a Labour Party the public saw as having no hope, will Social Credit survive the squeeze?

A by-election in a close National-Labour marginal seat might have given a pointer for that sort of 1981.

A by-election in a safe seat is of no value as such a pointer, nor does it provide convincing if any, evidence that 1981 will be essentially a battle between Labour and Social Credit over who is eventually to be the country's second party.

You can't even draw any firm conclusions from the apparently low turnout.

The Christchurch Central roll was in especially bad shape for the general election. Political scientist Alan McBride found that, of a random sample he took last year, half the people supposedly on the roll did not live at the addresses named on the roll.

Yet when he checked the by-election roll recently, 35 per cent of those marked at the wrong addresses last year were still marked as at those addresses.

McBride considers that basically the electoral officers were working from an updated 1972 roll.

Trying to establish the actual turnout figure is therefore guesswork. The only thing that can be said with any certainty is that fewer votes were cast — about 65 per cent of the number cast on election day, last year, including informal votes.

That was well below par for safe seat by-elections over the past dozen years, which have ranged between 75 and 90 per cent of general election votes. So it is safe to say at least that the two main parties should be concerned — and that Social Credit has some cause for continued optimism. Which is no more — in fact rather less — than you could learn from the latest Heylen poll on August 4.

It showed Social Credit back up 3.5 percentage points after two falls in July, this time at the expense of both Labour and National, back almost to neck and neck — 40.1 per cent to Labour and 39.4 per cent to National.

It also showed a continuing widening of the gap between Muldoon and Rowling in the "preference for Prime Minister" stakes. Muldoon led 28.7 per cent to 17.5 per cent on



JIM ANDERSON... he is not unhappy.

August 4, back to roughly May figures.

Beetham was back to a higher figure of earlier year with 12.1 per cent. Heylens could hardly be managed a better guess: the Social Credit vote last weekend — but not that next week.

A printing gremlin may have left you with an impression that David G. Ann Hercus and Stan R. Labour rising stars were of the National. Paragraph crediting them: improving the Labour's somehow got dropped. So did two other relatively positive paragraphs: better luck this time.

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Broker warns clients

by Rae Mazengarb

WARNINGS that Auckland brokers R Tether (Insurances) Ltd, may not have arranged effective insurance as requested, were contained in a letter to clients from H R Fagan & Associates Ltd, a subsidiary of the Wymark group.

Managing director Hugh Fagan said that Tether Insurances responded with legal action to restrain him from so advising clients.

Fagan said he had originally

sold R Tether (Insurances) his aviation portfolio but was in no way connected with that broking company.

The letter, dated mid-July, said that as a result of extensive inquiries by the group in relation to insurance that should have been arranged by Tether's company, "we have ascertained that (it) may not have arranged effective insurance covers as requested."

"In the course of our inquiries, that broker has stated both verbally and in

writing that most marine business was placed pursuant to its binding authority with the London Insurers Commodore General Insurance Co Ltd.

"However, our inquiries have revealed that Commodore dispute that R Tether (Insurances) had any binding authority to write insurance — in March this year published its first report and financial statements since its incorporation in September 1977.

The report includes a mixture of Hong Kong and American dollars.

The company achieved "satisfactory results", according to its chairman, Peter Lo.

Premium income for the period was \$1.87 million. Profit for the period was \$84,000. Less bonus issue of \$14,000 and transfer to contingency reserve of \$50,000, unappropriated profits of around \$20,000.

The revenue accounts show claims of around \$82,000, including all claims reported, settled and an estimate of the outstanding liability in respect of claims not yet notified.

During early 1978, the company increased its paid up capital from HK\$5 million (NZ\$6 million) to HK\$12 million.

On February 27, 1978, it issued 5,500,000 7½ per cent convertible, redeemable, non-cumulative preference shares of HK\$1 (around 20 cents New Zealand) at par payable in cash.

Next day the company made a capitalisation issue of one preference share for every seven shares. This resulted in the number of preference shares being increased by 1,500,000 to 7 million.

"Adequate reserves have been established to meet outstanding losses and also to satisfy any losses occurred but not reported to the company," Lo said in his report.

"Careful selection of business offered to the com-

Commodore reports \$1.87m

premiums income; \$82,000 paid out

by Rae Mazengarb

COMMODORE General Insurance Co Ltd — the Hong Kong-based insurance company for whom R Tether (Insurances) Ltd claimed authority to write insurance — in March this year published its first report and financial statements since its incorporation in September 1977.

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"Adequate reserves have been established to meet outstanding losses and also to satisfy any losses occurred but not reported to the company," Lo said in his report.

"Careful selection of business offered to the com-

pany will be maintained and the accumulation of risk factor will be professionally taken into consideration."

He said: "It is still the underlying principle of the company to specialise in direct business with an incidental facultative and treaty account being included in the overall portfolio."

Liability business as such is not actively sought and the company will not enter into competition with other insurance companies merely for the sake of procuring premium income."

The report of the directors refers to outstanding premiums of more than \$3.1 million and says: "The directors would like to stress that the major portion of outstanding premiums relate to the incoming portfolio and, in particular, proportional reinsurance treaties. In this particular regard, the development of paid premium income is, by the nature of such treaties, slow."

PROPERTY STILL A GOOD INVESTMENT

"Money Matters" reports on the best areas

The editors of Money Matters believe the demand for sound residential properties will increase and a strengthening of interest in property as an investment will occur month by month. The August issue of Money Matters — New Zealand's Inflation Survival Newsletter tells how we believe worthwhile capital gains can be achieved on carefully chosen properties.

In May we prophesized that GOLD then hovering at \$230 to \$248 would go to \$300. We were right, but what happens now? The August letter analyses what may affect the future of the gold price.

Art as a hedge against inflation! Yes we believe so. However intending investors need to take care and obtain guidance on how to go about it. Learn from our August

newsletter what we found out in our study of art as an investment. \$500 will get you started in art as an investment. Sharemarket Report: In May we said buy N.Z. Forest Products then at 230c. We were right they are now around 249c. We also recommended DML Wallace in May, they've now gone to 155c.

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MM NBR 28/8

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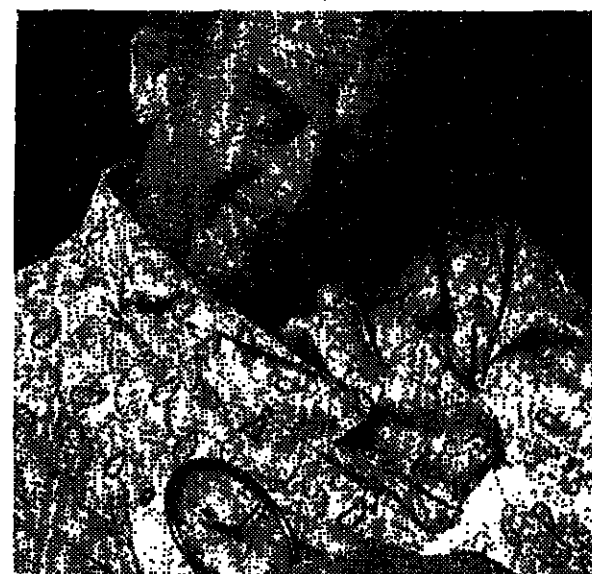
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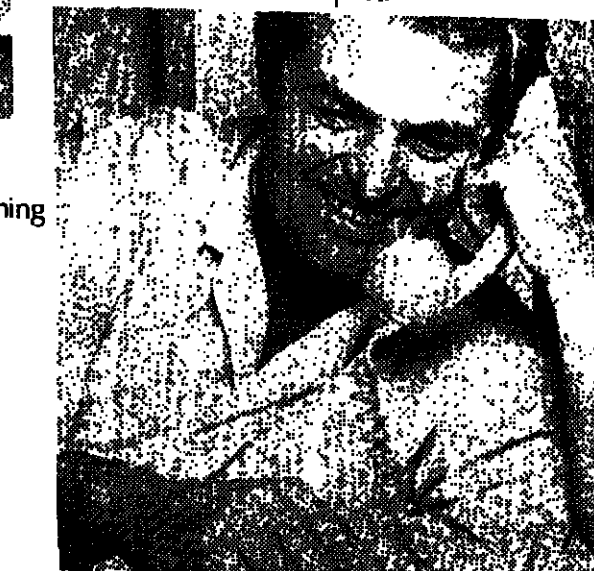
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Appeal judge raps air licensing authority on knuckles

THE Air Services Licensing Authority has been given a sharp rap over the knuckles for what is described as a "woefully deficient" transcript of evidence presented to the Air Services Licensing Appeal Authority. Mr W J Brown, SM.

The Air Services Licensing Authority should review its method of recording evidence without delay, said the Appeal Authority.

If it presented him with a similar transcript in future, said Brown, he would have no hesitation in referring it back.

He made these comments in a written decision on an appeal against a licensing authority decision declining an application by the Southland Aerial Co-operative Society Ltd, Invercargill, for the provision of aerial top-dressing, aerial liquid top-dressing and aerial spraying services.

"But for the fact that the examination-in-chief of the various witnesses was produced in typewritten form and the submissions of counsel were of such a high standard," said Brown, "I would have found it almost impossible to

have determined the appeal and would have had no alternative but to refer the appeal back to the authority for a full rehearing.

"The transcript was lengthy and there were a tremendous number of gaps in the record. In many instances answers to vital questions were simply not recorded.

"It is imperative that the authority urgently review its method of recording evidence. Its best course would obviously be to use the services of a highly skilled shorthand typist. Bearing in mind the im-

portance of the applications it hears, surely such a typist could be found?

"Instead, some form of tape recording apparatus is being used, having regard to the deplorable nature of the transcript, either the equipment is quite unsuitable or it is not being operated correctly. I require that this matter be fully investigated.

"If a similar transcript is placed before me again, I will not hesitate to refer the appeal in question back for further consideration and, indeed, for rehearing.

"Such a course causes

considerable costs, delays and inconvenience, but it is the only course open to an Appeal Authority if justice is to be done."

Brown said a further unsatisfactory feature about the transcript of the authority's hearing was that "had as it is" did not reach counsel for the appellant till five days before the appeal was heard.

"This is most unsatisfactory," he added. "I trust there will be no repetition of such action."

In the event, Brown did not allow the appeal.

Dismissing it in a 14-page decision, he said the society had failed to prove that the service it offered was necessary or desirable in the public interest.

The society had applied for a licence to enable it to continue a business it had built up illegally.

The application presented no evidence to indicate that it could reduce costs and its argument that it gave farmers an opportunity to share in co-operative ownership in an industry of vital importance to farmers was not valid.

Accommodation Council questions incentive scheme implementation

ACCOMMODATION interests want the new Budget incentives for tourism deferred and revised to take away the uncertainty they claim is built in at present.

Their particular bone of contention is the 10 per cent tax rebate or cash grant the Government proposes to give firms selling tour programmes overseas which earn foreign exchange.

The scheme becomes operative from the beginning of the new financial year, and gives a rebate or credit of 10 per cent of the value of the foreign exchange brought back to New Zealand to the organisation which does the selling.

A vital part of the scheme

however, is that the benefit should be shared among those firms providing various parts of the package which the overseas tourist buys.

It is precisely this which has disturbed the Accommodation Council.

For a start they were not consulted before the new incentive was introduced in the Budget, and spokesman Graeme Coyle says that did not please the council.

But it is the basis on which the benefit is to be shared among the actual seller of the package, the wholesaler in New Zealand, the hotel-motel, the ground operator and the operator of tourist attractions, that the Accommodation Council wants changed. CNBR

July 11).

An inherent part of the Government's thinking was to leave it to the tourist industry, and 'market forces' to do that job.

Coyle says the accommodation industry doubts whether the market forces are present to force a sharing of the benefits.

Tourism Minister Warren Cooper said however, in his Budget statement on the new incentive that: "It is a basic concept of the incentive that, although available in the first instance to the final seller, market forces will ensure that there is a flow on to those who actually provide the service."

Coyle says the accom-

modation people fear the

larger firms will get the lion's share of the benefit.

He says firms which sell their own programmes overseas as well as providing some of the New Zealand content from their own resources (hotel beds for example) are going to be tempted to take more for themselves than they will give to an operator which is not part of their overall group.

He says that will give the privately owned hotel or motel less of the incentive's benefits than the accommodation arm of a major tourist chain is going to get.

The council has written to both Cooper and Rob Muldoon seeking consultations before the scheme becomes operative.

Concrete mixer design earns competitive edge

by Helen Vause
IT'S hard to get excited about concrete mixers — unless you've just secured a half-million-dollar order for them from the United States.

Auckland manufacturer Lane Abel first broke into the United States market in April with a modest \$60,000 order for concrete mixers. Now his East Tamaki company, Lane Abel Ltd, is working to fill a \$525,000 contract within the next 12

months and gearing up for a multi-million dollar business in the next few years.

The company had been involved predominantly in materials handling equipment, but had also been manufacturing concrete mixers for about 20 years.

The local market for the concrete mixers was falling, the export picture for the then bulky and awkward machines was gloomy.

Lane Abel felt that perhaps the time had come to forget about the concrete mixer. The other option called for a major design overhaul.

"After 20 years work I was reluctant to let go. The product was good but making it superior lay in much improved design," said Abel.

The result of his work was a 50 per cent reduction in the size of the packaged mixer. It would fit into a 30-inch square

box with its components doubling when packaged as supporting and protective structure of the packaging.

Fifty-four of the packaged mixers could now go into a standard shipping container, giving major savings in freight and assembly. This gave Lane Abel the competitive edge to break into the American market.

The design was right, but the initial marketing approach was not. The company sent amateurish photographs to the United States.

"To the Americans it was just an obscure looking bag of bolts. It was too expensive and they had no shortage of concrete mixers anyway."

"The American market is hard to crack," says Abel. But Abel took the mixer to a convention of hire yard operators in Los Angeles in February and came home with the initial \$60,000 order.

Creative marketing was another alternative to mass advertising. And good public relations was cheaper than advertising, he pointed out.

Jamie teaches public relations at the UCLA. "I flunk the students in my public relations courses if they do not play back to me in the final exam that the difference between advertising and

public relations is that in advertising one buys space in the print media or time on the electronic, whereas in public relations one writes or develops material with such appeal, and presents it in a service-oriented context, so that newspapers and magazines accept it, without payment for the space or time," he said.

As for creative marketing, Jamie said the reporter did not have to cover the whole country or even a whole city. New Zealand could promote itself as the Irish did with their Irish Festival, including demonstrations of Irish Most cosmopolitan and attractive. Waterford Crystal honey, paraded with scented racks.

Or we could do something like the in-store promotion of the Orient done by Chicago's Carson Pirie Scott complete with a 16-legged tap-dancing dragon.

More suited to New Zealand, Jamie suggested, was something like a British Government promotion in Los Angeles.

The British Consul arranged a 13-week series on British technology on channel 22 TV. The series was backed by sponsors ranging from Lloyds to the British Tourist Agency. Jamie said.

New Zealand's image in California, Jamie said, was one of an unspoiled land in the South Pacific. And it was this naturalness that should be used to promote our products. "Don't be fooled into always competing on price. Go for uniqueness. Some Californians can be sold anything if it's special," he said.

AMP offers marketing boost

(Continued from page 1)

shareholdings had to be transferred to a new company.

The AMP Society — which has traded in New Zealand for over 100 years — will hold the shares in the name of a wholly owned New Zealand subsidiary to be known as AMP Financial Services (NZ) Ltd.

The company's board will be composed entirely of New Zealand residents, and all profits derived from the business will accrue for the benefit of the society's New Zealand policy-holders, Challen said.

Perpetual will continue to operate under its existing name with its head office remaining in Dunedin.

Perpetual's services will be marketed by AMP representatives, a factor which is expected to boost the company's growth.

To prevent Perpetual's collapse when it met with difficulties in 1975, the Government passed the Trustee Companies Management Act which required a specially con-

stituted board of directors. The Amendment Act was passed last year, after a breach of trust action had arisen from an investigation into the circumstances which led to Perpetual's difficulties in 1975.

Introducing the Bill, the Justice Minister Thomson said: "If the court holds that

there were breaches of trust the liability of the company will most likely be more than the net worth of the company together with the reserve liability of \$10 per share."

The Amendment Act ensured, the company could be taken over with its liability qualified, a more attractive proposition for bidders.

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What you see are seven of the country's most promising advertising men. But something went wrong. They left Colenso.
Now look at the seven men on the right.
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In an industry where people traditionally lit from one job to another frequently, why did they all come back?

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And most important, to then sit back and watch them play magic on the cash registers.

They all came back. Because at Colenso, these things happen.

Things like Jockey.

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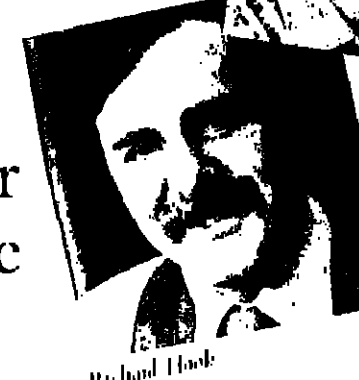
Try the Colenso style.

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COLENZO
AUCKLAND AND WELLINGTON



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Richard Hook



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Mike McCabe

We came back.

فاننا عاينا

Terms of trade: what goes up must come down

Economic Correspondent

JULY 31 brought some good news from the Government Deputy Statistician. New Zealand's terms of trade are the highest they have been for five years, according to Steve Kuzmich.

On a base of 100 in 1967, the terms of trade in the first three months of this year were 90. Though still below the 1957 level, the terms of trade have improved dramatically from a low-point of 70 in 1975.

In the four years since then, export prices have gone up by 91 per cent and import prices

by only 48 per cent.

Unfortunately, it does not seem likely that the terms of trade will rise much above the level of 90 established in March. In fact, the June quarter terms of trade may be a fall on the March figure, mainly reflecting the rising costs of crude oil.

The terms of trade are subject to much analysis by economists. The table shows how they are calculated from indexes of export and import prices.

What the terms of trade measure is the relationship between export and import

prices. They show how many units of imports can be purchased for a fixed quantity of exports. Index numbers are used to express the trend in the terms of trade.

Usually the terms of trade are based on the level of export and import prices in 1957. That year is arbitrarily chosen by the Statistics Department as the starting point where a unit of exports could purchase a unit of imports.

As that table shows, the terms of trade have fluctuated considerably since 1957. In most years they have gone against New Zealand, or in



THE ECONOMY

fewer imports in the next year or so.

This is not very good news for exporters in New Zealand. Since many of our agricultural products face quotas, the volume of traditional trade may not fall. But this is hardly the time for new ventures to meet with instant success in overseas markets.

In short, at the very time we are planning increased export volumes, the rest of the world is not in a buying mood.

And while farmers may be able to market their product overseas, their production may fall as they face smaller incomes from declining export

prices. Wool growers are strong start to the selling season. Sheep have already had an average year with prices for best wethers though less than last year. Receipts manufactured goods more than 22 per cent.

Brighter days are for the economy. In the future, it is hoped, it will be able to build up its terms of trade as things will be made

Year	Export Prices		Import Prices		Total
	Index	Amount	Index	Amount	
1967	95	100	98	100	100
1968	97	102	101	102	101
1969	102	104	103	104	103
1970	109	109	106	106	107
1971	112	112	104	104	108
1972	110	110	104	104	107
1973	105	105	104	104	104
1974	105	105	104	104	104
1975	105	105	104	104	104
1976	105	105	104	104	104
1977	105	105	104	104	104
1978	105	105	104	104	104
1979 (est.)	105	105	104	104	104

other words, import prices have increased at a faster rate than export prices.

So it is real cause for celebration when export prices begin to increase at a faster rate as they have over the past year.

The terms of trade reached their peak in June 1973, before the oil crisis caused a huge escalation in import prices. Even with export prices increasing by 23 and 24 per cent in June years 1976 and 1977, the terms of trade still went against New Zealand because of an even faster rate of increase in import prices. In both 1975, and 1976, import prices rose by a massive 32 per cent.

One reason the balance of payments have remained in deficit since 1974 is that the terms of trade have been unfavourable.

But even with the terms of trade against us, it is possible to improve the balance of payments situation by increasing the amount we export. So the race is now on to make sure that export volumes keep rising.

In 1976, when the terms of trade reached a record low for the decade of 72, the balance of payments deficit improved. Although world prices were unfavourable to New Zealand, export volumes increased by over 16 per cent in that year. Of course, the balance of payments deficit was reduced even faster in the following year when the terms of trade improved and export volumes continued to rise.

This year, the balance of payments deficit is expected to go below \$450 million for the first time since March 1974, mainly because of the improvement in the terms of trade and the still large increases in export volumes.

But current developments overseas suggest that the reverse is likely to occur during the latter part of 1979 and in 1980.

The terms of trade may go as low as 75 in June year 1980. Export volumes may start to grow less rapidly, despite export incentives, and the balance of payments deficit will begin to grow again.

The main cause of world inflation over the next year or so is again oil price rises.

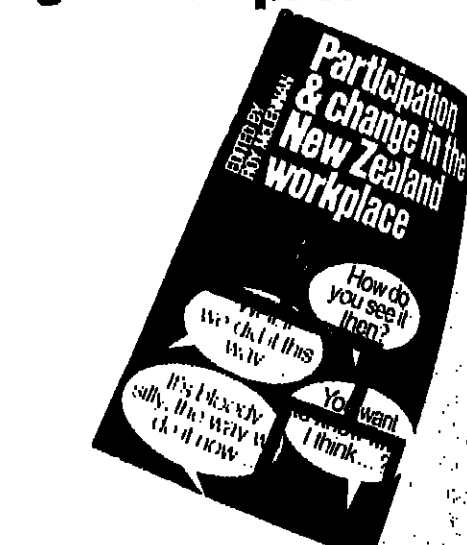
Oil prices may go up by as much as 50 per cent. The effect of oil price increases is two pronged. Not only do oil prices accelerate inflation's growth rate, but they also contribute to slowing the growth in output of countries dependent on imported fuels.

Most New Zealand trading partners suffer from the effects of increased oil prices.

The United States economy has already entered a period of slower growth and continued difficulties in solving energy problems may lead to a full scale recession.

While some of our trading partners will not suffer economic decline similar to that in the United States, the rest of the world will be buying

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Participation & Change in the New Zealand Workplace is published by Fourth Estate Books, good bookshops, or direct from Fourth Estate, P.O. Box 9344, Wellington. (See Fourth Estate Service coupon elsewhere in this issue.)

NBR BUSINESS WEEK

Rural sector heads toward a good season

by Peter V O'Brien

THE 1979-80 season should be good for farmers, and therefore for the whole economy. There are problem areas, which will become clearer as the spring and summer progress, but the rural sector of the economy, and the industries which depend on it, have advantages to offset against the potential problems.

The present winter has been comparatively mild, although considerable rainfall may not be to everyone's liking.

The preliminary report of Challenge Corporation last week commented on the mild winter, and then referred to farmer confidence.

Corporation chairman Ron Trotter said "farmer confidence has been boosted by the minimum price scheme, and their increased investment will result in greater production".

Trotter forecast that "farming appears headed for another year of good prices for meat and wool". The latter point received confirmation from prices at the opening wool sale of the season, held at Dunedin on August 17. The official report says crossbred prices were 30 per cent higher than at the same time last year, while halfbred wool gained about 20 per cent in the same period. Prices for halfbred wool were about 10 per cent above the Dunedin June sale. No retention levy was applied because the trigger price of 300 cents a kilogram was not exceeded.

Continuation of the trend will give sheep farmers another healthy rise in incomes, although higher input prices throughout agriculture will erode real profitability this year.

Wool regained buoyancy after a difficult year in 1978. The Reserve Bank's overseas exchange transactions figures for the year ended June, 1979 show that receipts for wool, at \$729.5 million, were 17.8 per cent above those of 1977-78, although only 6 per cent higher than the \$687.8 million in the OET for the 1977 June year.

The optimistic comments of Ron Trotter contrast with the slightly cautious views expressed by Allied Farmers chairman, Doug Hazard. The Allied Farmers preliminary report suggested that profitability this year might be lower than in 1978-79, a statement which may relate to

the effect of inflation both on farmers and on stock and station companies, which depend heavily on farm income.

Most of the improvement in farming and its service industries over the last year was anticipated, and could be verified when the Reserve Bank published the June year exchange transactions statistics.

Total export receipts for primary produce, including milk powders, "other dairy products", and "other animal products" reached \$2998.7 million, compared with \$2430.3 million, a rise of 19.3 per cent. Meat was the strongest commodity, with receipts going from \$866.8 million in 1978 to \$1196.4 million, a movement of 38.4 per cent.

Production levels this year are likely to be higher, subject to no sudden snaps of snow and other bad weather which might affect lambs, but other issues have to be considered.

The EEC's stance on butter exports is the main medium-term problem. New Zealand is entitled to export 120,000 tonnes of butter to Europe in 1979 and 115,000 tonnes in 1980. But the EEC agriculture commission's draft report on future exports calls for adjustment of both figures, and a new system after 1980.

Summaries of the report published in this country show a significant change of wording from previous documents. They used to talk about a "permanent" arrangement after 1980, but the word has now been changed to "lasting", an expression which could mean regular revisions of quotas, levies and the other paraphernalia which the EEC uses to handle its farm problems, particularly surpluses.

Negotiations will start soon on the draft, and the result may differ from the recommendations. But any draft is a starting point for such negotiations, and we now find our negotiating base lower than the previous level. That could be a problem in the next year or two. Diversification can be undertaken, but time is essential.

There is no present world market for the 100,000 tonnes or so which New Zealand has been sending to Europe, in

spite of growing trade with China (total exports of all products last year worth \$61.6 million, compared with about \$25 million in 1977-78 according to a Press Association message from Hong Kong last week) and successful contracts with the Middle East.

Meat prices are easing a little, and in the period through to the end of 1981 could come back as the "beef cycle" moves into its next phase. High prices for beef followed reduction of herds overseas, mainly in the United States.

The next stage of the cycle will be higher slaughterings. At that point prices will retreat, it will be expensive to retain cattle, and the process starts again, pushing prices down further. The "beef cycle" is an example of the mob instinct

which regularly distorts world commodity markets. The international market for sheepmeats looks better than beef in the next 18 months to two years, although internal conditions here could affect farmers in that product.

Another relatively incident-free season in freezing works would relieve pressure in the sheepmeat trade, provided industrial disputes are also lessened in the support industries needed to carry stock and ship it from the country. Taxation could be an indirect problem. Farmers will

pay much higher taxes in March 1980, and will be up for another substantial contribution in 1981 if the present season comes out according to projections.

Tax is only paid if the incomes have risen, so it reflects better conditions, but liquidity in the service companies will lighten as farmers use their "bankers" to find the money.

The rest of the economy should hope that farmers do well this year. We need every dollar of overseas funds which can be earned from primary produce.

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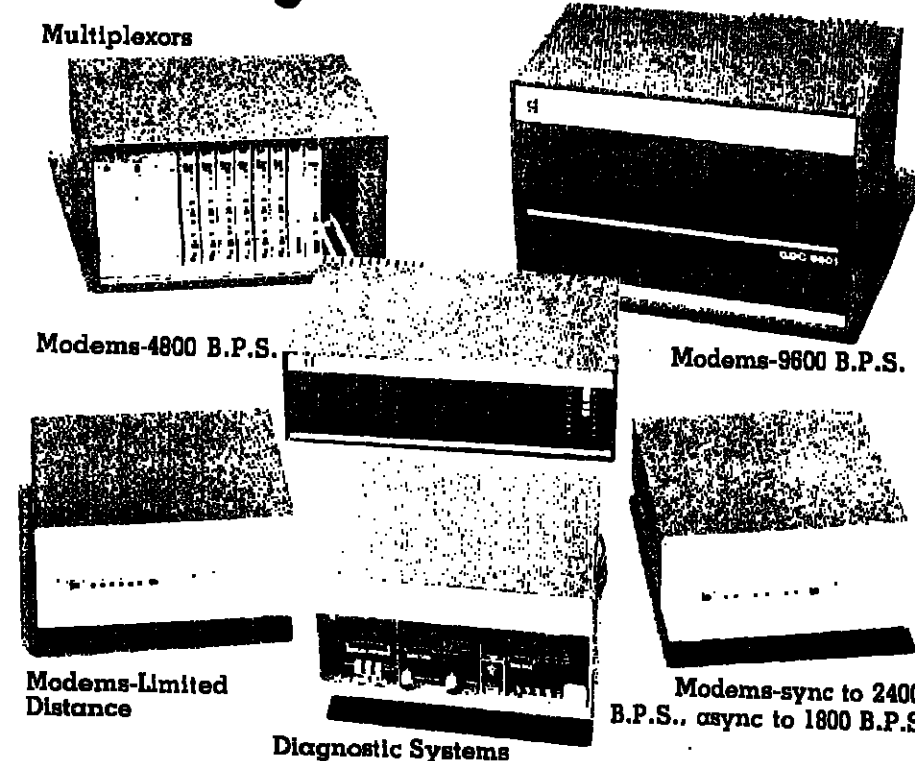
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Key indicators

Consumers Price Index — all groups base Dec 1977 = 100	June 79 Qtr.	1177	1047	+12.00
Building Permits Issued	Feb 79	1120.1m	997.7m	+20.00
Official Overseas Reserves	Feb 79 yr	1044.4m	1100.7m	+5.36
Registered and Unemployed — incl those on special work schemes	June 1979	9028.2m	8941.7m	+0.96
NZUC Share Price Index	July 1979	31,004	48,891	+5.5
Reserve Bank Share Price Index	14 Aug	346.73	338.00	+2.5
	14 Aug 79	1474	1379	+7.4

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Analysing annual accounts

by Peter V O'Brien

LIFE is tough at Lion Breweries, a point emphasised regularly in the 1979 annual report.

Lion is critical of government taxation and depreciation policies, inability in the past to repay offshore debt, and the necessity to "maintain massive documentation" in support of price increases.

The company has a full statement of inflation adjusted accounts in its reports, as well as the normal revenue statement and balance sheet prepared under the historical cost convention. Each set of accounts shows a low financial return, irrespective of the particular ratio used to assess profitability.

An earning rate of 5.4 per cent on shareholders funds (historical cost, adjusted for revaluations of fixed assets to 90 per cent of market valuation or current replacement valuation, depending on the type of fixed assets employed)

is well below the "norm" for public companies.

The depreciation policy affects the return, because Lion writes down assets on the basis of their useful life, after revaluation. Last year this accounted for an amount of \$2,710,000 above the level allowed for taxation purposes. If that sum were added back the return would still be low compared with the average of listed companies.

The effects of declining beer consumption and the higher investment in the food business shows up in a breakdown of divisional sales. Brewery sales increased 8.1 per cent over the previous year, total revenue from "managed hotels" (which includes the chain of Cobb and Co restaurants) went up 12.5 per cent, and wine and spirit merchants sales were 17.6 per cent higher. Those figures exclude inter-company sales, which totalled \$71.4 million. The latter receive no breakdown in the report, so it is



BEVERAGES ... competing impossible to see how the percentage changes by division would alter after removal of inter-company sales.

Lion will face increased costs in several areas this year, particularly the interest bill. At balance date \$25.6 million of term debt was due to fall in within one year. The directors' report comments that the company has "successfully negotiated internal refinancing of \$US7,300,000 of offshore debt and of \$4 million

of other debentures maturing this year". Another \$5 million was obtained by private placement of debenture stock. This amount was raised before balance date, according to a table of debenture maturities. The bulk of the \$5 million carries interest at a fraction under 13 per cent, with another slice around the 11.5 per cent level.

But there is \$11.7 million worth of debentures due for repayment this year. That sum had an average interest rate of 7.34 per cent (raised in happy days of yore), and it can be assumed the new money will cost substantially more.

Offshore debt due for repayment this year cost an average 12.88 per cent. The report gives no indication of the cost of internal finance needed to reorganise that debt, but it is unlikely to be below the figure in the balance sheet, and is probably higher.

The current cost accounts, prepared in accordance with the recommendations of the

Richardson Committee and the Accountants Society (CA) guidelines, show the impact of inflation on the company's activities.

The "current cost operating profit of the group" before taxation fell from \$24.3 million (historical cost) to \$15,996,000 (current cost). The difference is made up of \$2,107,000 as a "cost of sales adjustment" (based on the estimate of the increased cost of holding stocks "caused by increased prices during the year"), \$10.2 million in depreciation (compared with \$7.9 million under historical cost), \$4.9 million in "circulating monetary asset adjustment" (loss in operating capacity caused by increased monetary unit requirements), and a cut of \$1 million in the amount attributable to minority interests.

The company applies taxation at current rates to pre-tax operating profit, after a gearing adjustment but includes a "true" figure in a

note. It would be more realistic if all companies and the Accountants Society had a revised tax figure in a supplementary account irrespective of Government policy.

The revision allows a comparison between historical accounting and CCA, giving an indication of the effect in government revenue if a later system ever recommended a tax adjustment, but the Accounts Society recommends that be based on the year legislation, because "it has authority to change the law of taxation", a strange idea to adopt, since CCA was at present a device exercised with no official status.

Adopting a figure of \$5,058,000 as "taxing" (excluding shareholdings taxation), and adding \$2,867,000 as a reduction in liability to the group of Richardson's recommendations were \$7,925,000 to relate to adjusted shareholders' \$255.3 million (1978) under historical cost; return is then 3.37 per cent, a ridiculous figure.

Lion goes part of the way towards divisional accounts, giving movement in gross profit, brewing and marketing, contributed \$3 per cent; grew 2 per cent over previous year.

Managed hotels went with 20 per cent of 6.5 and a growth figure of 10.1 per cent, partly as a result of success in spirit wholesaling and 17 per cent, growth over the "other", including, gave 10 per cent, and grew 6 per cent, company says it is integrated, and "beyond this level becomes academic question".

The table shows the compounded growth each year in percentage terms between 1972 and 1978 for the top 10.

The firm comments on these rankings:

"The rankings of Sanford, Mosgiel and Ceramco are somewhat spurious as each of these had dividend cuts in the base year. All the other companies have kept their dividend payouts well ahead of the inflation rate. Auckland Gas, Ceramco and

Progressive have all announced their dividend rates for the 1979 year. Ceramco and Progressive both had effective dividend increases of 22 per cent in 1979 so they have maintained their rate of growth since 1972."

The dividend growth rate takes account of increases in the actual dividend payment and bonus issues over the period. The firm has assumed that rights to any cash issue have been sold "in theoretical rights price has been established for non-renounceable issues," and the proceeds reinvested in the company's ordinary shares.

The analysis says that dividends in 1979 should increase in real terms for the first time since 1974, because the average dividend increase of the 61 companies to announce so far is 16 per cent. "This compared with a rate of inflation of 12.2 per cent between the June quarters of 1978 and 1979. Between 1972 and 1978 dividend growth, compounded, was 10.5 per

cent, compared to a compounded growth rate of 12.7 per cent in the Consumers Price Index over the same period.

But the "market leaders" performed comparatively poorly in the six years surveyed. Fifteen companies which have the highest weighting on the New Zealand United Corporation share index are examined. Their compound growth rates range from 3.06 per cent (Bathmans) to 12.35 per cent (Alex Harvey Industries).

A comparison of sharemarket growth for leaders and small companies shows the same trend. R A Jarden & Co refer to the top 10: "Dividend growth rates are reflected in share price performance. In the six years to June 30 1979 the average gross return of the top ten dividend growth companies was 15.92 per cent per annum compared to the market average of 8.20 per cent. For the bottom ten companies the figure was -0.42 per cent."

"The bottom ten includes Tasman, Haywards, Gear, Motor Holdings, McKenzies and Brambles. Growth in the leaders' stock market performance contrasts with the top ten: 'The leaders' poor dividend growth is reflected by their share price performance. In the six years to June 30 last, the average unweighted gross return for the 15 leaders was 2.23 per cent, compared to the market average of 8.2 per cent. Only one company, NZ Farmers Fertiliser, had a return in excess of the market average. It ranks second among the leaders in dividend growth."

RANK	COMPANY	PER CENT
1	Sanford	25.19
2	A M Bisle	25.03
3	Auckland Gas	22.63
4	Mosgiel	21.71
5	Freightways	21.39
6	Dunlop	20.49
7	Nat Insurance	20.23
8	Property Securities	19.89
9	Ceramco	19.69
10	Brierley	19.35
	Progressive	19.35

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As at AUGUST 29 1979

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INVESTOR INSIGHT

It can also be noted that NZFF was caught up in the market activity over fertiliser companies, which may account for part of the price performance towards the end of the period.

The Jarden analysis ranks the investment-property sector first in the sectoral stakes. There are four companies in that group, and the ranking is based mainly on the strong performance of Property Securities and Brierley Investments (see NZFF August 29). "The compounded growth rate was 16.44 per cent. Fuel and energy is ranked second with a growth rate of 14.81 per cent. Jarden's

consider that sector will have a slower growth rate in future years, although "it should be considerably above the market average." Pulp and Paper is the last (22nd) on the sector ranking list. The sector comprises two companies, and Tasman's poor performance influenced the growth rate of 1.13 per cent.

The firm says that, with the exception of pulp and paper, the "bottom six sectors are almost completely consumer oriented. At least two companies in the retail, electronics and automotive sectors have had to cut their dividend in recent years. The finance sector's growth since 1975 has been particularly low, but the medical supplies' sector growth rate has improved in recent years due to a much improved performance by Salmond and Smith-Biolab."

The analysis therefore reaches the interesting conclusion which the market is reflecting: Non-consumer, and export oriented sectors have outperformed other groups. The comment regarding Salmond and Smith-Biolab also relates to that fact. Both companies have increased their exports rapidly, and this shows up in dividend growth and share price performance.

Investors who backed the exporters, and other groups with low reliance on local consumer spending, will be happy to see Jarden's 19 page analysis confirm their judgment.

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Chairmen line economists up against the wall

by Peter V O'Brien

ECONOMISTS are taking a drubbing as company chairmen lash out at various targets during the annual meeting season.

Industrial captains are expected to voice their frustration at the state of the economy, at conflicting views expressed by experts in all fields and at the reluctance governments place on the experts.

Last week we received a solid dose of intellectual luddism from Henry Berry chairman, A G Brown, on the

subject of economists. While the latter breed tend to have conflicting mathematical symbols, and equally conflicting interpretations of the symbols, reports of Brown's comments to his company's annual meeting show a new level of analysis has been reached.

UEB's caustic chairman Sir Jas Dolg, confined himself to saying only that most economists were "bats" at the annual meeting the previous week.

Some of Brown's comments, as reported, suggest the economists are merely

misguided, as when he referred to them as intelligent, educated people with the best intentions in the world.

But fervour seems to have run away with the criticism. Apparently economists were "unknown in our lives 50 years ago". That is an historical revelation which fails to stand up to much scrutiny.

Fifty years ago takes us back to 1929, a famous year for the world and various economies. Economists unknown then? Well there was a fellow writing on economics at that time, although perhaps

he was not a household name. It took some time for Keynes to get his ideas across; ideas which were particularly relevant to 1929 and what followed. If in need of adjustment in future years as life grew more complex.

And if Brown wants to scoff at the lack of practical thinking among economists he, and other like-thinking people, might reflect on the fact that Keynes made large sums for his college's endowment by stockmarket investment, which (legend has it) he worked out after careful morning examination of the

"Financial Times" market lists before setting out for another academic day.

There was also another economist whose views were well known 50 years ago, although they find little support in our type of economy. While it is certainly possible to take issue with Marx, assuming he qualifies for the title of "economist", it is hard to claim that the lad was in conflict with practical thinking, and "all theory".

A difficult man to ignore, given the practical upheavals resulting from acceptance (rightly or wrongly) of the "theory" in large areas of the world.

Then we came to Brown's statement regarding the business executive, who "not necessarily educated... by his ingenuity and intuition takes risks and is a main avenue for progress". Good stuff for solid practical people.

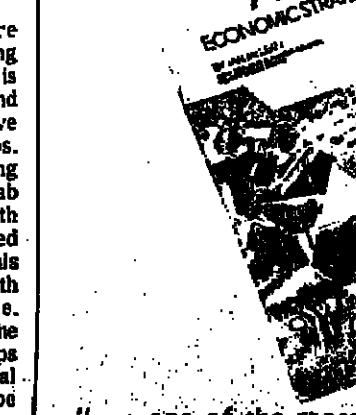
What a pity that the statement would receive applause in whatever perfect economy the economists go to when they depart this coil. Adam Smith is Brown's ancestor, although the latter may find that hard to believe. Smith lived in the days when philosophy, politics and economics were wrapped up in one discipline (which might be a sensible academic development for the 1970s and 1980s), but there is still a fair slice of the old boy in both the philosophical and practical base of the free enterprise and market force ideas which modern company chairmen expound to their shareholders.

Going back further, we reach the occasional theorist who took himself off to sort out the practical problems of national economies. There was a fellow called Isaac Newton, who had an idea (among others) with some application to business cycles — loosely, what goes up must come down — which he developed in the quiet world of Cambridge. Having sorted out a theory of physics he went to London to tackle the problem of country's coinage and other economic issues related to practical thinking. Economists, by one title or another, have been with us for a long time. Whether they deserve the constant attention they receive is another matter. But it is curious how yesterday's theory often becomes the "practical thinking and practical planning of the business executive" today.

And who knows, somewhere, there may be an unknown who is tortuously producing a theory which in 50 years will be used automatically by company chairmen when they call for the removal of theory from the nation's affairs, and support for practical people who engage in practical planning.

His theories could even solve the practical problems of people involved in the production and sale of catering equipment, and other products which "touches upon the lives of every New Zealander and every visitor who comes to this country... without drama or high visibility but with efficiency and a reputation for good service", to quote from the Henry Berry 1979 annual report.

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ECONOMIC INDICATORS

EXTERNAL TRADE

A. recorded in Reserve Bank record of Overseas Exchange Transactions.

Exports	Period	Latest	Previous Year	% Change
Meat	June 79	\$124.3m	\$107.5m	15.6
	June 79 yr	\$1196.4m	\$998.8m	33.1
Wool	June 79	\$65.5m	\$72.7m	-9.9
	June 79 yr	\$729.5m	\$619.2m	17.8
Dairy Products	June 79	\$65.3m	\$37.8m	72.8
	June 79 yr	\$599.6m	\$619.8m	-3.2
Forest	June 79	\$36.7m	\$22.8m	60.6
	June 79 yr	\$320.6m	\$282.2m	13.6
Manufactured	June 79	\$55.1m	\$55.4m	-0.5
	June 79 yr	\$652.8m	\$511.6m	27.6
Total Exports	June 79	\$411.8m	\$360.3m	14.3
	June 79 yr	\$4103.5m	\$3,418.7m	20.0
Imports				
Government	June 79	\$10.7m	\$7.1m	50.7
	June 79 yr	\$193.0m	\$172.9m	11.6
Private	June 79	\$316.1m	\$235.1m	34.5
	June 79 yr	\$3203.5m	\$2823.6m	13.5
Total Imports	June 79	\$326.8m	\$242.2m	34.9
	June 79 yr	\$3396.5m	\$2996.5m	13.3
Balance on Trade Transactions	June 79	+\$85.0m	+\$118.1m	-26.0
	June 79 yr	+\$707.1m	+\$422.2m	67.5
Balance on Invisibles	June 79	-\$177.6m	-\$141.7m	-25.3
	June 79 yr	-\$1160.4m	-\$911.1m	-27.4
Official Overseas Reserves	June 79	\$932.2m	\$934.7m	0.2

FREIGHT MOVEMENTS

Shipping Cargo Carried	Apr 79	3006	2673	12.4
— 000 tonnes	Apr 79 yr	32769	35216	6.9
Rail Freight Carried	Apr 79	930	870	7.0
— 000 tonnes	Apr 79 yr	11726	12,335	5.0

FINANCIAL

Reserve Bank Advances	Mar 28, 79	\$587.8m	\$1079.3m	-46.0
Trading Bank Advances	June 13, 79	\$3312.2	\$2549.4m	29.9
N.Z. Overseas Transaction —				
— Balance on all Transactions	Apr 79	+\$42.2m	+\$29.6m	42.6
Restricted Survey of Hire Purchase	Mar 79 qtr	\$124.0m	\$121.4m	2.0
— Value of goods sold	Mar 79 yr	\$633.3m	\$465.8m	34.0
Mortgage Interest Rates — Average Yield	Mar 79	11.05	10.71	3.0
* Govt Short-Term Securities — average yield	May 79	11.23	8.48	32.0
Land Transfers (value of land sold)	Mar 79	\$272.8m	\$220.0m	24.0
	Mar 79 yr	\$3542.5m	\$2550.4m	39.0
Mortgages Registered (value)	Mar 79	\$190.5m	\$175.3m	9.0
	Mar 79 yr	\$2187.2m	\$1810.6m	21.0
Mortgages Discharged (value)	May 78	\$87.5m	\$69.8m	25.4
	May 79 yr	\$998.8m	\$906.6m	10.2
Bankruptcies (Number)	May 78	44	39	12.8
	May 79 yr	502	446	12.6
Sales Tax Collected (value)	Mar 79 yr	\$32.5m	\$31.4m	4.0
	Mar 79	\$336.6m	\$424.5m	-21.0
Totalisator Turnover (value)	May 79	\$36.4m	\$32.6m	11.7
	May 79 yr	\$480.9	\$399.6m	20.3
* Govt Long Term Securities				
Average Yield	May 79	12.95	9.99	30.0

LABOUR FORCE

Industrial Stoppages (Working Days Lost)	Mar 79	Qtr	88355	88226	-5.0
	Mar 79	yr	287016	482582	-17.0
Nominal Weekly Wage Rate Index	Mar 79		1147	1029	11.0
Effective Weekly Wage Rate Index	Mar 79		1019	1009	1.01
(Base 1977-1000)					
Vacancies at Month End	May 79		2006	1347	48.9
Unemployment (At Month End)	May 79		24513	22935	6.8
People On Special Work Scheme					
(At Month End)	May 79		24881	18219	54.0
Migration	May 79		-18935	-16042	18.0
Total New Zealand Population	Mar 79	qtr	3,144,600	3,148,900	-0.1
Births	Mar 79	yr	51522	53246	-3.0
Deaths	Mar 79	yr	24804	25934	-4.0

PRODUCTION

Electricity Generation	Apr 79	1686	1564	7.8
— Million kWh	Apr 79 yr	22010	21462	2.6
Coal Production	May 79	177.0	188.8	-6.3
— 000 tonnes	May 79 yr	2056.6	2113.2	-2.7
Gas Production	Apr 79	2996.3	4682.4	-36.0
— million megajoules	Apr 79 yr	54076.3	61564.8	-12.2
Motor Spirit — Petroleum Production	May 79	167207	60876	175.0
— million litres	May 79 yr	1852419	1584875	17.0
Motor Vehicle Assembly (Passenger)	May 79 yr	54884	55255	-0.7
No. of vehicles	May 79 qtr	3302.2m	\$302.4m	1.3
Building Work Put in Place	Dec 78 qtr	\$1140.7m	\$1308.9m	-13.0
— value	Dec 78 yr	28219	23208	21.1
Television Sets	Dec 78 yr	39986	119086	-24.4
— units	Dec 79 qtr	\$61.2m	\$53.2m	15.0
All Plastic Products	Mar 79 yr	\$263.0m	\$248.3m	6.9

INTERNAL TRADE

Consumer Price Index (base 1977-1000)	June 79 qtr	1177	1107	5.4
Retail Trade — Total Turnover	Apr 79	\$494.5m	\$415.0m	19.2
— current prices	Apr 79 yr	\$5905.5m	\$5191.7m	13.7
— total turnover	Mar 79 qtr	\$833.0m	\$802.05m	4.0
— 1974 prices	Mar 79 yr	\$3284.61m	\$3231.53m	2.0
per head	Mar 79	\$453.84	\$431.6m	5.0
Wholesale Trade — Total Turnover	Mar 79 qtr	\$1218.2m	\$1038.9m	16.0
— current prices	Mar 79 yr	\$1218.2m	\$1038.9m	16.0
— 1974 prices	Mar 79 yr	\$2207.4m	\$2170.3m	1.0
Stock — Manufacturers	Mar 79 qtr	\$2207.4m	\$2170.3m	1.0
— Wholesalers	Mar 79 yr	\$2207.4m	\$2170.3m	1.0
— Retailers	Mar 79 yr	\$2207.4m	\$2170.3m	1.0

Economic News

Industrial Stoppages

According to Department of Statistics figures, there was a total of 146,957 working days lost because of industrial stoppages during the 6 months to June 30, 1979. Other industrial statistics released on August 3 were as follows.

All Industries: 6 months to June 30, 1979.
Total Number of Stoppages
Number of Workers Involved
Total Duration (working days)
Average Days Lost Per Worker Involved
Approximate Loss in Wages (\$'000)

POPULATION

The Department of Statistics Information Service figures (provisional) for the year to June 30, 1979 show that the New Zealand population has decreased by 0.37 percent to 3,144,600. This figure compares with increases of 0.05 percent in 1978 and 0.34 percent in 1977.

Sharemarket News

Bonus Issues of Ordinary Shares Pending

Company	Ratio	Meeting	BKS Close Inclusive	Exch
Alcoop	1:10	3/10	9 Oct	40
Airwork	1:10	24/8	1 Sep	31
Aurora	1:5	NFD	—	160
Ceramica	1:10A	—	1 Sep	21
Dmchwal	1:10AB	10/8	1 Sep	150
Indchem	1:5	NFD	24 Aug	21
Mim	1:4	21/8	12 Oct	30
Neill	1:10	27/9	3 Oct	21
NZTS	1:5A	24/8	31 Aug	21
Rothmans	1:10A	2/11	8 Nov	21
Sxhotel	1:10	21/8	25 Aug	21
Wilhorin	1:5	17/8	23 Aug	21

A = Shares arising from bonus issue participate in dividend, see schedule.
B = Shares arising from bonus issue participate in rights issue, see schedule.
* Out of strict order.
* New announcement.

Current Debenture Issues

Company	Opens
A.A. Finance	Aug 8 1979
Allied Finance	Mar 30 1979
Auric Corporation	Jun 1 1979
Aust Guarantee	May 22 1979
BNZ Finance	Jun 18 1979
Bowring Burgess	Jun 18 1979
* Broadlands	Mar 15 1979
Cedix Holdings	Jul 27 1979
Challenge	Apr 11 1979
Credit & Investments	May 1 1979
Crown Finance	May 1 1979
Finance & Discounts	May 18 1979
F & P Dealer Rentals	Jun 11 1979
General Finance	Feb 22 1979
General Motors	Apr 30 1979
Foodstuffs (Otago Southland)	May 11 1979
International Harvester	Mar 5 1979
Lake Ohau Ski Field	Feb 26 1979
Lombard N.Z.	Jun 14 1979
Maras Holdings	Mar 5 1979
Medical Securities	Mar 8 1979
N.Z.I. Finance	Aug 1 1979
Teppenden	Feb 21 1979
Transvision	Feb 28 1979
UDC (Deb Stock & Unsecured NTS)	Jun 5 1979
UDC Deb Stock	

* Changed Rates
New Prospectuses: AA Finance Ltd

Share Price Index Statistics

NZUC	Year to Date	High Low	
		343.37 (Apr)	317.10 (Feb)
Month	High	339.3	
	Low	328.89	
Reserve Bank	Year to Date	High Low	
		1483 (Apr)	1344 (Feb)
Month	High	1483	
	Low	1399	

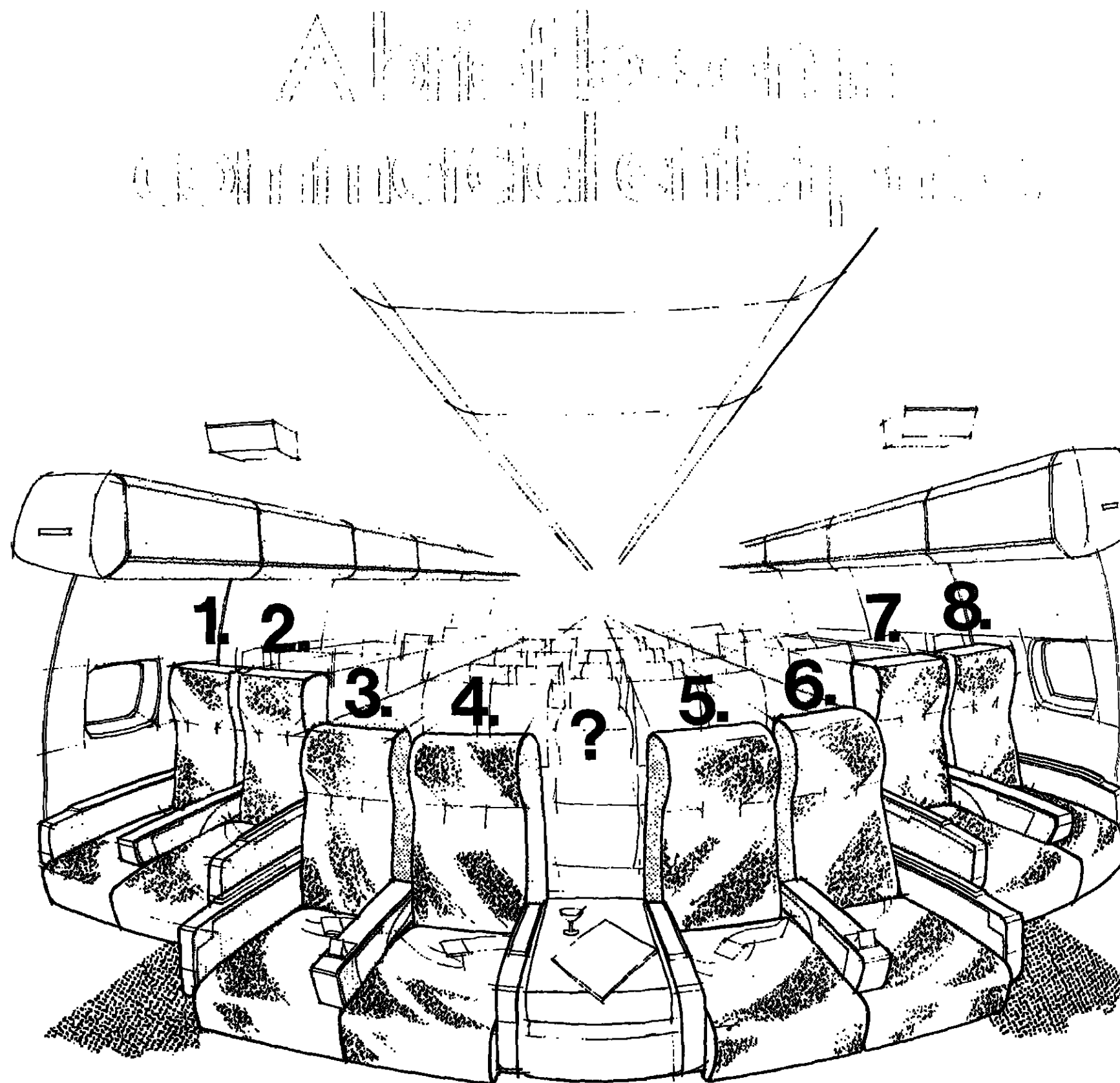
MONTHLY TURNOVER

1978	1979
August	370
September	360
October	350
November	340
December	330
January	320
February	310
March	300
April	290
May	280
June	270
July	260
August	250
September	240
October	230
November	220
December	210

NBR SHAREMARKET SURVEY

WEEK ENDING AUGUST 23, 1979

1979 High Low	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio
1115	1110	1115	1110	1.50	1500	1.50	15.0
1110	1105	1110	1105	1.50	1500	1.50	15.0
1105	1100	1105	1100	1.50	1500	1.50	15.0
1100	1095	1100	1095	1.50	1500	1.50	15.0
1095	1090	1095	1090	1.50	1500	1.50	15.0
1090	1085	1090	1085	1.50	1500	1.50	15.0
1085	1080	1085	1080	1.50	1500	1.50	15.0
1080	1075	1080	1075	1.50	1500	1.50	15.0
1075	1070	1075	1070	1.50	1500	1.50	15.0
1070	1065	1070	1065	1.50	1500	1.50	15.0
1065	1060	1065	1060	1.50	1500	1.50	15.0
1060	1055	1060	1055	1.50	1500	1.50	15.0
1055	1050	1055	1050	1.50	1500	1.50	15.0
1050	1045	1050	1045	1.50	1500	1.50	15.0
1045	1040	1045	1040	1.50	1500	1.50	15.0
1040	1035	1040	1035	1.50	1500	1.50	15.0
1035	1030	1035	1030	1.50	1500	1.50	15.0
1030	1025	1030	1025	1.50	1500	1.50	15.0
1025	1020	1025	1020	1.50	1500	1.50	15.0
1020	1015	1020	1015	1.50	1500	1.50	15.0
1015	1010	1015	1010	1.50	1500	1.50	15.0
1010	1005	1010	1005	1.50	1500	1.50	15.0
1005	1000	1005	1000	1.50	1500	1.50	15.0
1000	995	1000	995	1.50	1500	1.50	15.0
995	990	995	990	1.50	1500	1.50	15.0
990	985	990	985	1.50	1500	1.50	15.0
985	980	985	980	1.50	1500	1.50	15.0
980	975	980	975	1.50	1500	1.50	15.0
975	970	975	970	1.50	1500	1.50	15.0
970	965	970	965	1.50	1500	1.50	15.0
965	960	965	960	1.50	1500	1.50	15.0
960	955	960	955	1.50	1500	1.50	15.0
955	950	955	950	1.50	1500	1.50	15.0
950	945	950	945	1.50	1500	1.50	15.0
945	940	945	940	1.50	1500	1.50	15.0
940	935	940	935	1.50	1500	1.50	15.0
935	930	935	930	1.50	1500	1.50	15.0
930	925	930	925	1.50	1500	1.50	15.0
925	920	925	920	1.50	1500	1.50	15.0
920	915	920	915	1.50	1500	1.50	15.0
915	910	915	910	1.50	1500	1.50	15.0
910	905	910	905	1.50	1500	1.50	15.0
905	900	905	900	1.50	1500	1.50	15.0
900	895	900	895	1.50	1500	1.50	15.0
895	890	895	890	1.50	1500	1.50	15.0
890	885	890	885	1.50	1500	1.50	15.0
885	880	885	880	1.50	1500	1.50	15.0
880	875	880	875	1.50	1500	1.50	15.0
875	870	875	870	1.50	1500	1.50	15.0
870	865	870	865	1.50	1500	1.50	15.0
865	860	865	860	1.50	1500	1.50	15.0
860	855	860	855	1.50	1500	1.50	15.0
855	850	85					



These cheaper fares are certainly stirring up the airline business.

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Expert takes exception

I AM forced to take most grievous exception to your remarks in "Without Word of a Lie" of August 15, where you refer to my "obviously less than penetrating weekly analysis of annual accounts" in the context of the Evening Post's treatment of the NZTS annual report.

That annual report, to quote the Post, features "a lovely young lady in a bubble bath" and "a dinner-jacket-suited arm holding a drink and carrying a bath towel".

You then say that because I ignore the sex element in my analyses of companies, I presumably hold that a company "cannot be judged by the quality of the cheesecake on the cover, but rather by the bare facts inside".

And why, pray, should I be presumed to ignore the "bare facts" on the outside? I reassure your readers that I am fully in favour of lovely young ladies in bubble baths, particularly if I am holding the drink and/or bath towel.

Whether it would be possible, in these difficult financial times, to run to a dinner suit while holding either or both items is another matter.

Any lovely young ladies who wish to be analysed in the context mentioned are invited to apply, in plain brown wrapper, to the care of NHR, where I trust the editor will have the decency to leave the wrapper unwrapped.

Peter O'Brien
Wellington

Accreditation draws fire

THIS company, (along with its associate magazines of Apparel, Travelog, Grocers' Review and Housewares), has not resigned from the Business Press Association over the question of audits. We have an excellent reputation in the area of circulations and produce the largest circulating trade magazines in the country.

The issue we threatened to resign over was that of BPA accreditation of advertising agencies, which we believe to be a total waste of time. Every agency in New Zealand knows the encumbrance the Newspaper Proprietors Association and Radio New Zealand accreditation schemes are, and for a small sector such as trade magazines to get into the act, is completely unnecessary.

It is surely a basic tenet of business that customers be expected to pay their accounts and we cannot see agencies as an exception. If they don't pay, we simply don't accept their placings. The remedies are simple without resorting to complex questions to the

agencies on their private financing arrangements. To our group, agencies are a vital part of our daily living — we have no old fashioned ideas that agencies are a menace blocking client-magazine direct arrangements.

So the issue was not audits, although we hold strong views on those too.

P J MITCHELL
Mitchell Publishing Limited
Auckland

Litter policy: wide angle

I WISH to comment on an article published in a recent edition of your paper under the heading "Without Word of a Lie". The article dealt with the effect of American legislation banning the one-way beverage container and requiring deposits on bottles and cans.

Your final paragraph suggesting that New Zealand usually follows in American footsteps in such matters could be very misleading to your readers and I hope the following will help to put the whole matter in perspective.

Firstly, let me say that I wholeheartedly agree with the sentiments expressed suggesting that mandatory deposits increase the cost to the consumer. Perhaps it is not as generally known that such systems in America are not as widespread as may appear, although there is a great deal of pressure for this type of legislation in many states.

One direct result of deposit legislation is usually a fall in sales with a consequent loss of jobs and redundant machinery.

The New Zealand Litter Control Council has indeed been studying American methods of controlling litter, but the type of legislation to which you refer discriminates against certain items of litter and does not deal with the total problem.

It is our belief that any anti-litter campaign should be directed against all sources of litter and to do this it is necessary to change people's

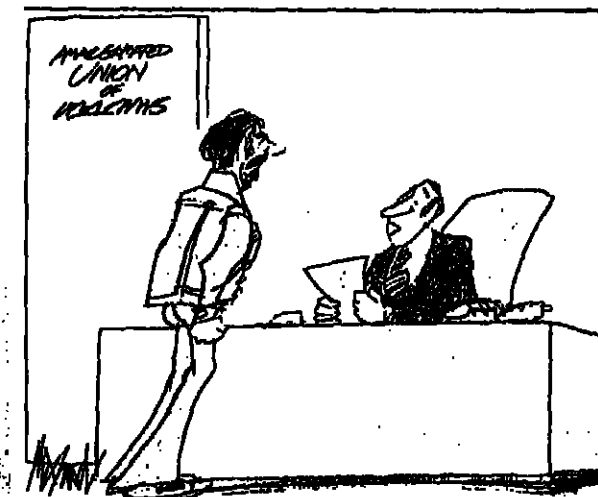
'User pays' holds flaw

IN A recent television interview the Postmaster-General, Mr Ben Couch, justified the considerable increase in postal charges on the grounds of "user pays".

This is an admirable principle with one flaw. The user should not pay to maintain a state monopoly which has no incentive to cut costs.

Postal services should now be put up for tender, or private enterprise allowed to compete, to ensure the public has the chance of paying the least possible price.

Ned Hallburton
ASENZ



"Correct me if I'm wrong, Brother, but somewhere amongst this politically motivated, contentious, dialectical, polemic propaganda, do I detect a non-negotiable demand?"



Expert takes exception

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P J MITCHELL
Mitchell Publishing Limited
Auckland

Litter policy: wide angle

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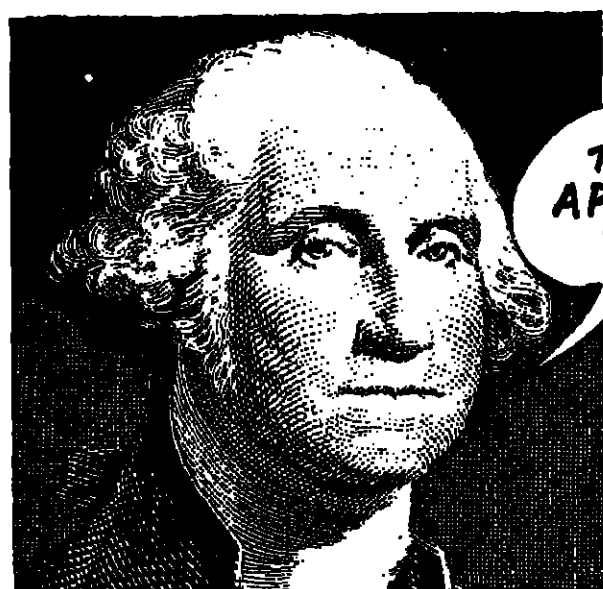


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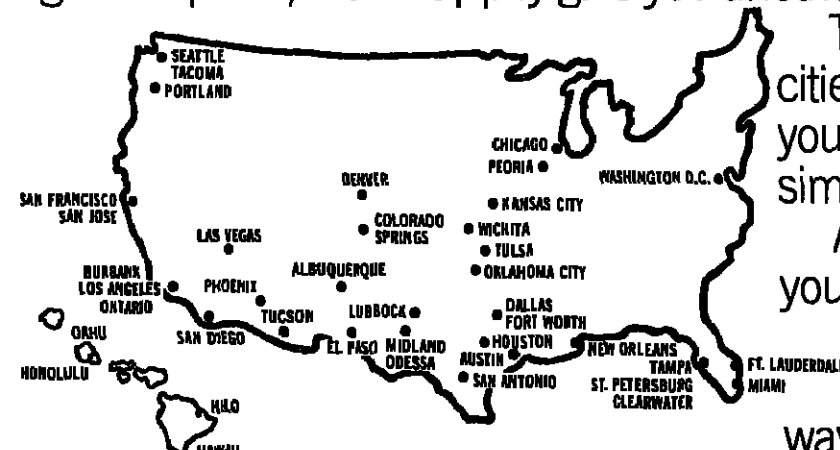
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Road users spell out licensing retention case

by Bob Stott

CONTINUING concern that the transport licensing system could be drastically modified has been clearly spelled out by the Federation of Road Transport Organisations.

The organisation covers virtually every commercial road user—licensed carriers, ancillary transport operators, rental vehicle firms, taxi proprietors, bus and coach operators, local body bus undertakings and school bus contractors.

A discussion paper, produced by the federation, argues for the retention of transport licensing, (although it recommends some changes) and could be dismissed as an effort by vested interests to retain a privileged position.

But the paper points out that other industries are subject to licensing, yet don't attract the same attention.

It also makes some suggestions which could be in the national interest, but not in the interests of organisation members—for example, licensing of ancillary operators.

The paper points out that transport licensing does not confer a monopoly on an operator, as does a meat works licence.

Licensing sets the boundaries within which competition takes place, and sometimes forces private operators (especially in passenger transport) to provide services which a free market would avoid.

Licensing, the paper stresses, is a separate issue from rail protection and should not be blamed for defects in transport which are the result of problems in sectors served by transport.

Road transport is more competitive than many sectors of manufacturing where import controls have restricted new entrants, a claim that can hardly be refuted.

The road transport industry says key questions are whether the industry is competitive, whether licensing limits or improves competition, and if licensing does limit competition whether there are offsetting gains through better equipment utilisation.

The licensing system should be viewed as a device to

enhance effective competition—a completely free market would, paradoxically, see a reduction in competition.

FRTTO believes there is some confusion in the community on transport licensing.

In spite of what critics think, licensing leaves room for competition...road transport is by no means as closely regulated as the aviation industry. A newcomer can get into road transport, and licences in excess of the growth of freight volumes have been issued.

Licensed operators face strong competition from unlicensed fleets, mostly owned by ancillary operators. FRTTO has a good point. For example, if a farmer doesn't like the service his local carrier offers, he can buy his own truck and do his own cartage.

In the same way a large manufacturer can also acquire and operate a fleet of trucks—transport is ancillary to the main business of such operators—hence the term.

In general terms, trucks used for cartage of owners' goods do not need licences.

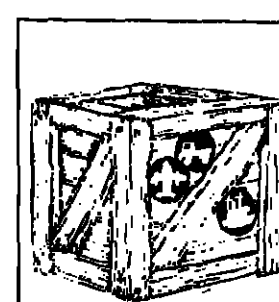
Of course, transport operators must comply with regulations outside licensing and must compete with others working to a different set of rules—rail protection legislation and the NZR are the prime examples.

The discussion paper sees that road transport would gain if rail protection was abolished, but recognises wider considerations.

"National benefits resulting from giving the Railways a guaranteed place in the market may outweigh private benefits which could accrue to road transport operators and some users if the limits were relaxed."

The Railways are seen as providing a line haul service which can reduce overall freight costs, bulk cartage function for cargoes such as fertiliser, a basic infrastructure which road serves as well as compete with, and "social" passenger services.

But the road organisations would like to see some exemptions from the 150km limit on a commodity basis (many commodities are already exempt) and on a regional basis.



TRANSPORT

They would also like a proper definition of the rules under which the State and private sector compete in transport, and an identification of true costs and subsidies.

This latter point gets some detailed attention.

The paper says the critics of regulation and licensing would be better advised to concentrate on such necessary pre-conditions for competition as:

- A proper identification of those services provided by the Railways and Air New Zealand for "social" or "political" reasons.
- Direct taxpayer subsidy

for those non-commercial services.

• Allowing the private sector to tender for these social services.

• Fully allocated accounting procedures for those components of the Railways where they are in direct competition with the private sector.

• The use of independent accountants to set up accounting systems so that the operating divisions of the Railways such as long-distance bus operations can be compared on a "service by service" basis with private sector counterparts.

• Preventing the use of unfair pricing tactics to force out private competitors.

• Road transport licensing rights held by the Railways be reassessed in terms of asking whether the Railways have too big a share of the transport services market.

The principle, says the paper, is that where it has been deemed appropriate for competition to take place, then each competitor should be on the same playing field.

The paper says that because the basis for licensing is the vehicle authority, and because the capacity of trucks and

their utilisation has improved, a given number of trucks today do far more work than in the past, but the full benefits have not accrued as there is now more capacity than necessary.

The absence of restraints on ancillary users has allowed this sector to expand regardless of the licensed industry's surplus capacity. The Federation spells out the advantages of licensing as a consumer protection device—licensed operators must maintain their vehicles at a higher standard than private motorists, while undue rate-cutting, speeding, overloading and working long hours can also be better controlled.

A licensee operator who persistently infringes the rules can lose his licence.

Licensed carriers are common carriers, required to take all freight offered, and of course many cartage rates are subject to maximum prices set out by the Secretary for Transport.

Regarding competition within road transport, the paper notes that ancillary operators own 64,000 vehicles, compared with 16,000 owned by licensed carriers. It

considers far too many trucks are owned by those whose main business is not cartage, and that such trucks are mostly operated inefficiently. But the case in which a person can get into cartage on his own account acts as a strong competitive counterweight to the licensed sector.

And as well as competitive pressures exercised by excess capacity, the industry is subject to the provisions of the Commerce Act.

So what does the industry want to see done in the future? In short, a balance between two sometimes conflicting aims: the best use of plant with a high imported content; and the desirability of maximising competition.

The industry would like improved licence application procedures, and

an amalgamation of goods service districts so that they are more closely aligned with rail distance limits and with intra-regional freight flows.

A "rules of competition" policy for State-owned licensing for ancillary operators.

New entrants to the licensed sector should be required to undergo some quality control checks in the public interest.

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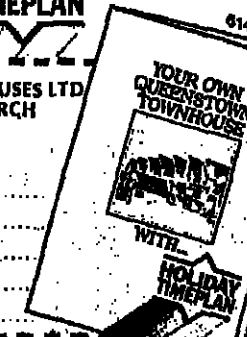
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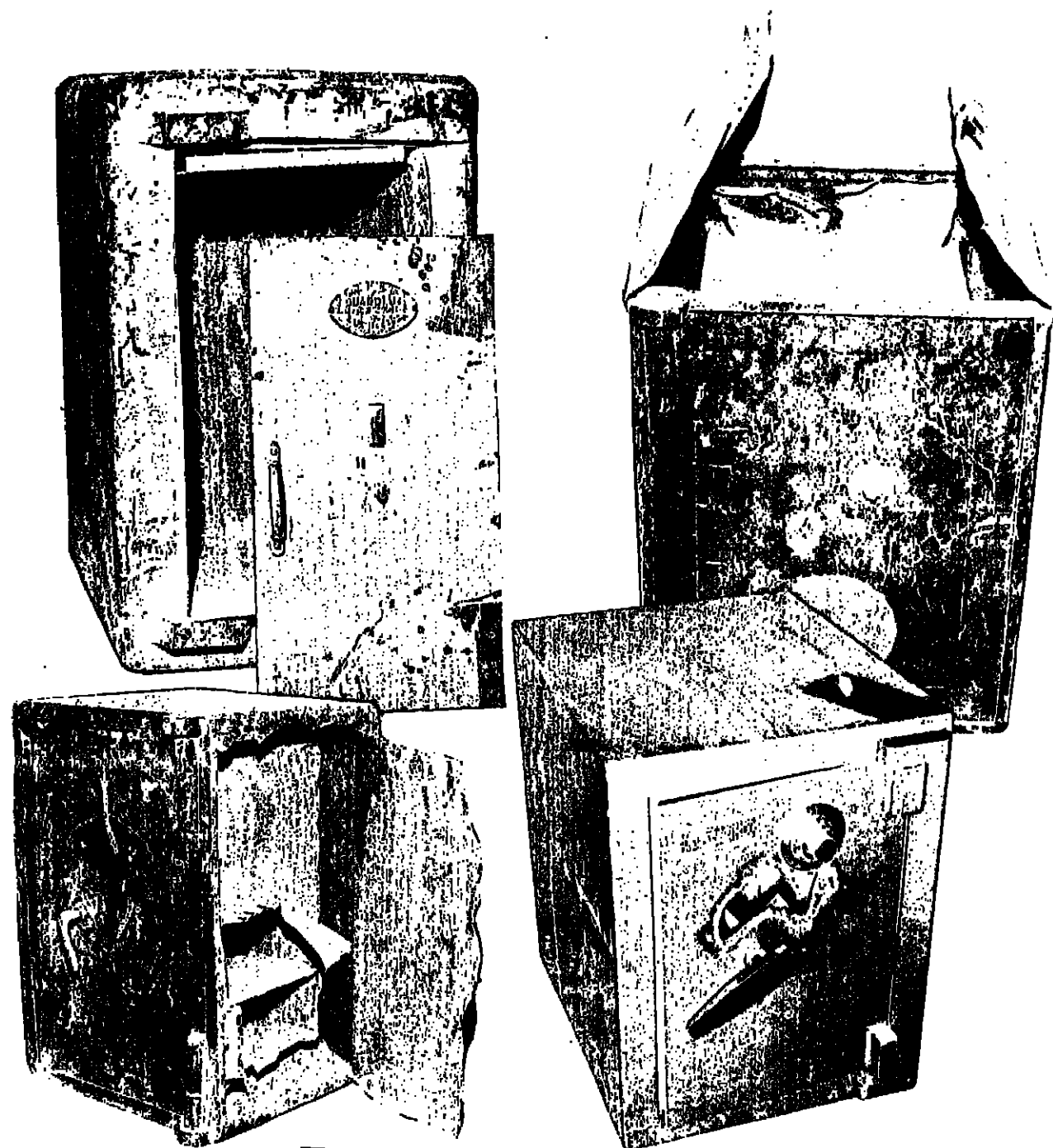
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Trade drive slips into search for foster mother

by Revel Lochore

BRUSSELS, September 1972. Gaston, a cartoonist reporting the EEC conference for a French weekly, was drinking coffee between sessions with a New Zealand diplomat and penning on his bill.

New Zealand had just presented its case: "We have searched round the whole world, and nowhere have we found better markets that can replace London's in our economy. For Europe that is a minor trade matter, but for New Zealand it is a matter of life or death."

Gaston pushed his sketch across the table to the diplomat. "So I see you New Zealand. A good little dog, and clever; you see him turning a large butter churn. But your Prime Minister Marshall says he is now old, too old to learn any new trick. I foresee him spending his days turning and churning butter, until..."

The diplomat produced his best French: "Jusqu'au retour des vaches?"

"Till the cows come home, so you say in New Zealand? What does that mean?"

"It means: till this evening, or a year from now, or 10 years, or forever, whichever you wish."

Gaston crowed happily: "Thank you, the perfect title. My poodle churns, turns, churns, till the cows come home."

The drawing wasn't published. It was presented to the diplomat, with the reminder: "Please don't forget it is also my coffee bill."

So at the price of a coffee, New Zealand's incapacity to adopt a life-style other than as London's butter-man escaped the satirists. And our main supporters, France, West Germany and Italy, cajoled the main dairying countries, Denmark and the Netherlands, into accepting an occasional price rise in lieu of immediate entry into the London market.

New Zealand was accommodated with five years or perhaps a little longer, to develop alternative markets.

But Sir John Marshall, back in New Zealand, put it differently: "It is victory. We retain our present quota. No formal time limit has been set. If we negotiate carefully we should be able to stay in the EEC indefinitely."

Gaston's poodle represents a frame of mind which

developed during our severance from Britain. Until 1972 New Zealand had its modest but assured place in the trading world: a still colonial economy serving Commonwealth markets, boasting that "London is our only real market".

In Brussels we accepted the lapse of our long-term contracts with Britain as a formality which Britain, once established in power in the EEC, would easily override. Why did we not state our true case? Because we planned to smuggle New Zealand into the community as a stowaway. Because we proposed to limit our search to big, easy bulk markets on London's scale and to leave small, difficult, remote markets to harder-working salesmen like the Dutch and Danes?

How much better to have put our cards on the table: "We undertake to vacate the London butter market as soon as possible. Please give us five years to develop new markets so that we may maintain the living standard of our people during the transition. We shall report progress to you annually, and if we need more than five years we shall ask for an extension."

The EEC would have willingly extended such a gentlemen's agreement to 10, 15 years if we were keeping our side of the bargain. Then we would have got our salesmen out and developed new markets without damage to living standards.

Would we have really found the markets? Of course. Look at the opportunities we have thrown away during our seven-year psychosis.

What commodities, additional to butter, could we sell to the EEC today? Southdown lamb's inbred fat is an insoluble problem: weight-watching European housewives are buying French and Irish lamb. But a little market research into the customer's needs offers a constructive answer.

Europe's beef-butter industry, which is putting us

out of the butter market, is being developed in the direction of a complete stall-feeding system.

Apart from a few large runs, European cattle farms get maximum beef per hectare by devoting most of their hectare to silage production and buying in any additional fodder required. The smaller farms depend almost wholly on stall-feeding, and many buy in fodder all the year round.

Thus the bottleneck is in fodder supply. There is room for the import of New Zealand fodder concentrates, in bale, cake or pellet form, perhaps on a lucerne base, including Europe's and our favoured fodder plants, grains, edible seaweed and additives for special purposes.

Discuss that proposal with European Ministers of Agriculture, get their specifications for the ideal fodder, hand the problem to the scientists, and the answer should be worthy of an experimental shipment. It could become bigger business than butter.

And a bigger thought again, already under experiment by an enterprising exporter: a corresponding sheep fodder for the uncouth flocks of the Gulf States, to supplement the product of overgrazed oases and water-holes in the drought season, to exploit more fully the bonanza of the moist season which brings good grazing down to the 10cm rainfall contour, and so to enable larger Iranian and Arabian flocks to be carried all the year round.

That will add to the promise of Bahrain, the present Government's one marketing success, which was well built on foundations laid by the Labour Government.

New Zealand beef has found no regular overseas market because it is not good enough. There has been no experimenting to breed the optimum steer best suited to our climate and pastures.

We are trying to sell the hit-or-miss beef produced by a patched-up butter industry. And we offer it to the world's connoisseurs: the gourmets of Paris, the millionaires of Las Vegas, the inventors of Kobe steak.

The EEC the United States, Japan for us are super powers, and anything offered to them should be of super quality. But we psychologists are treating them as our indulgent foster mothers.

America mothers us by accepting some beef on a hit-or-miss basis, in periods of world beef shortage.

We told Britain that in seeking new export markets we might have to diversify imports. Then Japan declined to pursue trade reciprocity.

For a while we stoutly refused to fall into Japan's orbit, then we were wheedled into accepting Japanese automobiles unconditionally.

Why did we ever stop buying British? Japan's position on balancing trade was always correct, if not particularly helpful: "Sorry. New Zealand's rather short list of export commodities contains nothing of interest to our importers. If New Zealand, I'll offer some commodity that we can use we will gladly move toward reciprocity."

That challenge was declined. Instead New Zealand proposed that Japan export all

own beef production, put its own farmers out of business to make room for hit-or-miss, and should include in the price the subsidy which Japan paid to its own beef farmers. A classic case of psychosis.

Had we any commodity with which to accept Japan's challenge? Yes: Squid.

Why did we lease our squid fishery to the most overworked nation on earth? Because the Government foresaw difficulties in establishing the industry, refused to face them, and took instead the accountant's easy decision to lease.

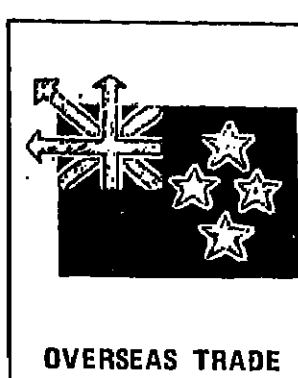
Any enterprising businessman would have seen the possibilities: offer to buy Japan's idle squid fleet, with its records, know-how, services of instructors.

If established in business in 1977 we would by now be conquering the last difficulties, reckoning to break even in 1980, chasing balanced trade with Japan by 1985.

Instead our Government boxed Japan into the fishery and ourselves out of any prospect of learning the game. It dared nothing itself. It stifled the enterprise of the people.

Last January a crisis arose in the Agricultural Commission of the EEC, with the dairy lobby (Ireland, Denmark, France and the Netherlands) moving to cut New Zealand's butter quota drastically in 1981 and to end it shortly thereafter.

In reply the British representative repeated, for the seventh time, New Zealand's statement of 1972 about searching round the



world and finding no alternative markets.

But this time the dairymen came back with a body blow: "That is not in accordance with facts known to us. New Zealand has not made a proper search. Denmark and the Netherlands are now disposing of their butter surpluses in South-east Asian markets which to our knowledge, New Zealand has never approached."

A note was passed to the dumfounded British representative. In the ensuing exchanges among Brussels, London and Wellington, New Zealand offered no excuse for breaking its promise to seek alternative markets, but came up instead with an unexpectedly useful formula: "New Zealand and the EEC being the world's major butter exporters, New Zealand would not wish to appear in open competition with the EEC dairying countries. Let them keep their present South-east Asian markets, and give us instead a permanent place in the EEC market."

Late in May Olaf Gundelach, the EEC Agriculture Commissioner, came to Wellington with a forecast of the EEC decision: a "considerable" quota for New Zealand in 1981 at an increased price, and a promise to "continue it after 1981".

Clearly any New Zealand presence in the EEC butter market after 1982 will be at the discretion of the dairy lobby.

As for the South-east Asian butter market, the Dairy Board told Gundelach that it is "too small to take New Zealand's production", which is literally true. But has the board forgotten its vast potential?

Between 1959, when our first trade commissioners in Singapore, Bangkok and Kuala Lumpur pioneered it, and 1972, when it was swept under the carpet to concentrate all efforts on holding the London market, it had upward of a million customers, all Chinese, breakfasting in English style.

Today it could readily be extended to the rest of South-east Asia's 15 million Chinese.

Denmark and the Netherlands are not equipped to handle such a large project, but it is ideal for development under the Commonwealth Scheme for Regional Co-operation—in which New Zealand does not participate.

The dairy farmers of New Zealand should urge the Government to think again about butter for South-east Asia.

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Occupational health laws lag behind technology

by Belinda Gillespie

DO WORKERS have a right to refuse their labour if they believe their health is at stake? Confrontations in this area — a grey one in New Zealand law — are becoming increasingly frequent between employers and workers.

The Railways, Health and Labour Departments have given assurances that the system they have agreed to for the removal of blue asbestos lining the carriages of the Silver Star is safe.

The National Union of Railwaymen, nevertheless, will have none of it.

George Finlayson, NUR president, points out that there is no "safe" level for blue asbestos. And he claims that "inhalation of one fibre of blue asbestos is sufficient to cause cancer."

"In view of the obvious health hazard associated with working with asbestos the NUR believes it is for the workers themselves to decide



GOOD HEALTHKEEPING

if they wish to put their lives at risk by working on the Silver Star carriages," he said.

FOL president Jim Knox, has given Finlayson the FOL's backing, in line with a remit passed at the FOL annual conference.

The tenor was that all affiliates should publicise the dangers of working with asbestos, and should work towards compelling the use of substitute materials, as well as ensuring that precautionary steps are taken to safeguard workers' health if work on

asbestos is unavoidable.

The question of the safety of the working environment applies particularly to those employed at the lower-paid end of the work-force.

Workers who are deafened by industrial machinery, who work routinely with poisonous chemicals and hazardous substances such as asbestos, who carry LPG in leaky tankers daily, toy with their health in a manner unknown to the desk-bound working population.

Legally, they haven't got a great deal going for them. There is no occupational health act to tie up the legislation relating to workers' health in innumerable other acts — factories, mines, construction, shops and offices, bush-workers, to name a few.

The Departments of Labour and Health have a finger in the pie.

So do other Government departments, such as Social Welfare and the Accident Compensation Commission.

In Britain, the law relating specifically to occupational health gives workers a clear idea of what rights they have. Here, there may be general provisions in the Health Act, and in another Act and in the industrial award relating to the specific work situation, and finally a separate set of regulations adding to the confusion.

When a Thames council worker was dismissed for refusing to handle 2,4,5-T FOL President Jim Knox referred to the "archaic industrial law" which gives workers little protection against dismissal or disciplinary action in situations where they are instructed to perform what they believe to be unsafe acts.

Industrial awards lag behind technological developments, and trades union legal advisors, let alone the unionists themselves, have difficulty untangling the degree to which workers are protected, or have the right to refuse to work in different situations.

Trade union officials call

last year's asbestos regulations a "token attempt" to rationalise an area of occupational health which relates among others to the Factories Act, the Shops and Offices Act, and the Construction Act, as well as the provisions of the Health Act.

"The penalties for offences against the regulations are described as 'negligible' in comparison with the possibly fatal effects of working with blue asbestos."

The regulations are geared to situations where asbestos is used as a manufacturing material, not when it occurs incidentally in the working environment — as with the mechanic working with brake linings, or the electrician, plumber or railway worker exposed to asbestos used as an insulating material.

Insulationists say the asbestos regulations go halfway in setting out what should happen, but they don't make matters mandatory.

Health checks, for example are provided for but are not compulsory for asbestos workers.

There are further anomalies. Asbestos injury is not mentioned under the Act, and industrial awards will have to be changed one by one to include reference to the new regulations.

Enforcement of the regulations depends on factory inspectors who, for the most part, are called in when there are grounds for complaint. It isn't done on a regular basis.

The regulations say that asbestos workers must be provided with protective clothing — but don't compel the worker to wear them.

Once the employer has told the worker of the potential dangers of asbestos, and provided clothing, equipment, locker accommodation and laundering facilities as described in the regulations, he is off the hook. The onus is on the employee, who technically might be informed of the risks, but may not have been sufficiently motivated to take the necessary precautions.

The union view is that the regulations should stipulate that work with asbestos should not be undertaken unless all safety precautions are followed.

The difficulties of this particular piece of health legislation are well illustrated by the confrontation between the National Union of Railwaymen and the Railways Department.

In a surprising volte-face, the NUR has reversed its stance on the Silver Star, which it previously wanted to keep running, and accused the Railways Department of "gross negligence" in keeping it going in the knowledge that the carriages were lined with blue asbestos.

The Railways management has pointed out that the union has known since early in the year there was asbestos in the carriages, and has chosen only to use the knowledge now that railwaymen have been asked to remove the asbestos lining.

In turn, the union has accused the Railways of withholding from the public knowledge of blue asbestos being present on the Silver Star, which was built in Japan in 1970-71 according to NZR specifications.

Ian McGregor, deputy general manager of the Railways, claims the department neither "knew" of the presence of the asbestos, nor was aware of its dangers until recently.

The department will not force anyone to work with the asbestos, McGregor says, but will be calling for volunteers to place

pull it out of the carriage according to the safety procedures worked out by the Health and Labour Departments.

Providing volunteers can be found, agreement at least seems possible, because the NUR says it "believes that it is for the workers themselves to decide if they wish to put their lives at risk by working on the Silver Star carriages."

Drivers, too, have taken their own health into their hands in stopping driving 12t tankers.

They argue that their lives are at stake, and the final decision should be theirs.

The employers say that the vehicles meet safety standards, and the drivers are sufficiently recompensed, have a right to require them to drive the tankers.

Ron Troit, research officer at the FOL, says New Zealand's "light years behind" legislation relating to occupational health and safety.

The withdrawal of workers from the industry, he says, is theoretically illegal.

Under the Industrial Relations Act, workers have a right to strike over disputes of interest, which does not include health.

If a worker believes he is being exposed to toxic substances, for example, the correct procedure is to take the dispute to a dispute committee. It simply walks off the job, acting illegally — but what, if it's a safety matter, is this not taken?

Increasingly, workers are attacking the prerogative of employers to make basic decisions. Typically, in the Silver Star case, safety is assured for the workers who must handle the asbestos by a consensus of officials who have no danger of exposure.

In the United Kingdom and Sweden, under relatively enlightened legislation, workers themselves have better defined rights and are called over decisions relating to health in the work environment.

Troit predicts that employers' attitudes to make basic decisions. Typically, in the Silver Star case, safety is assured for the workers who must handle the asbestos by a consensus of officials who have no danger of exposure.

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Arms and the (Ad) Man

RADIO Hauraki and IZB are unlikely bedfellows. But it makes good sense for these two stations to team up in a joint research venture that should result in tweaking some advertising dollars out of television's coffers and into radio's.

The McNair research copies the name of an American study and shows a fine disregard for the niceties of acronyms. Its full title is the Auckland Radio and TV Mix Study but it will be known to the cognoscenti as the ARMS study.

It sets out to prove a proposition that for about the same amount of expenditure a combined television and radio schedule will prove more effective than television alone in terms of a target market.

And, because this is the first piece of New Zealand research which combines radio and television audience data based on viewing and listening records from the same people (as distinct from using probability formulae), it has to command attention.

The sample reflects the population distribution in four Auckland urban areas. Television diaries were placed in homes for a recording week, then followed by radio diaries in the same homes for a further week.

The results of the research together with a wealth of sample characteristics were stored in the computer and will be available for survey re-analysis or for future schedule analysis.

As a result of examining the performance of a series of different advertising schedules aimed at various target markets, some combining radio and television alone, the study, it is claimed, proves "that radio and television in combination are much more effective than television alone." Specifically, it is stated that radio added to a television schedule will provide "higher reach on all target audiences; dramatic gains in average frequency; substantial improvement in distribution of frequency; improved cost efficiency; substantial increases in tarp levels; substantial increases in gross impacts." Which is a pretty all-embracing claim.

We give one example of a schedule designed to reach the target audience of females 20-34. The television-only schedule called for five TV2 spots in preferred placements and cost \$3250.

For that the advertiser got a total reach of 62 per cent, an average frequency of 2.0, gross impacts to the order of 110,000 and a tarp level of 123.

When a combined schedule was substituted, consisting of four TV2 spots plus 20 Hauraki and 10 IZB spots for a total cost of TV \$3900 and radio \$971 — \$4871, the total reach increased to 81 per cent, the average frequency to 4.1, gross impacts to 390,000 and tarp level to 334.

The improvement, for a 10 per cent increase in cost, was expressed as 173 per cent more advertising impacts, 105 per cent greater frequency and a reach extending to 31 per cent more potential customers.

Having got this far with the proposition, you are immediately confronted with the hoary problem of comparability between radio and television advertising. The answer comes ringing back. "It is not possible to evaluate the difference between TV and radio creative content." At least it leaves plenty of room for argument.

Although the combination of television and radio plans is not new, those employing the technique up to now have done so on an empirical basis.

The ARMS study provides a sure footing for those who want to venture on this path for the first time — at least in Auckland.

Inserts catch on

THERE was a time when Australian State Governments promoted their own State's tourist attractions in New Zealand with a beer and a bun fight for the travel trade.

Now the Australians are directing their message at the travel consumer with full colour inserts placed in newspapers and magazines.

Autumn of the insert concept was Auckland ad agency, Monahan Dayman Adams and Partners.

MDA is the first in this country to try inserts on any grand scale, though the concept provides big business for both agencies and the print media overseas.

It all started with MDA's client Qantas. Qantas had its Panjet Queensland package to sell.

MDA media director Chris Payne came up with a proposal for a package that would include both the air transport and the Queensland tourist industry's contribution to the ground.

Qantas, the Queensland Government, and the Australian Tourist Commission all gave their blessings to the scheme.

Australian advertisers qualified for a 70 per cent subsidy from their Government toward advertising costs.

Payne sold the ads by phone and letter at \$10,000 a page for the eight-page insert.

MDA produced the insert themselves with a 60-40 editorial-advertising ratio.

The Hawke's Bay Herald Tribune printed the 600,000 full colour copies.

The insert was placed in 17 major newspapers giving a potential readership of 75 per cent of the 15 plus population.

Insertion costs ran about \$320,000, except in the Evening Post which charged about \$37 a thousand.

The campaign cost the Australians about \$35,000 — far less than they would have paid had they bought ads individually in enough papers to provide equivalent reach.

MDA claims that to date, it has looked to inserts which encompass several advertisers sharing the common cost.

This type of format, given sufficient volume and numbers of pages, can be cheaper than the traditional black and white run of paper and space. And, of course, it can be contributed to by as many advertisers seeking a common goal as the agency chooses to invite to the party.

MDA claim that the Newspaper Advertising Bureau supports the insert



concept as profitable to both advertisers and the press media.

In the United States, the giant retailing chains Sears spends some 75 per cent of its \$450 million ad budget on inserts.

The Washington Post derives 15 per cent of its income from inserts.

MDA's insert campaign for Queensland was the first national effort in this vein in New Zealand.

As to the insert's cost effectiveness, MDA points out that colour adds impact ... and the insert concept can place colour advertising in papers that can't take colour ads themselves.

The total insert, complete with editorial content, provides a vehicle to the individual advertisers and can

be lifted out of the paper and retained for future reference by the consumer with long range plans for a trip somewhere.

Evidence of their success is that MDA have now been given a larger insert to produce — triple the size of the Queensland campaign.

South Australia, Tasmania, and Victoria will have a joint billing here as the "blue chip states". The whole campaign is built around Melbourne as an alternative gateway to Australia and will aim to divert the Kiwi from his belief that Australia is just the Sydney Harbour Bridge and Opera House.

Sydney gets 80 per cent of the inbound traffic from New Zealand, according to Payne.

Supporters for the insert include Qantas, TAA, Ansett, Air New Zealand and the Australian Tourist Commission as well as the three states.

Payne said this is the first time these bodies have pulled together in a regional promotion.

The "blue chip" insert will run to 24 pages and will first appear in The Listener on August 27. This will be followed by a four-page insert in September in The Listener, Women Weekly, and Time.

The campaign will be culminated with a 24-page

insert in 17 newspapers. Cost of the inserts will come to about \$150,000.

In addition, Air New Zealand, TAA, and Qantas will run a TV ad campaign.

Total billings from the Australians will come to about \$500,000.

The "blue chip" campaign opened on August 6 with gambling evenings in Dunedin. Croupiers were flown in from Tasmania's West Point casino to give New Zealanders a rare taste of sophisticated night life.

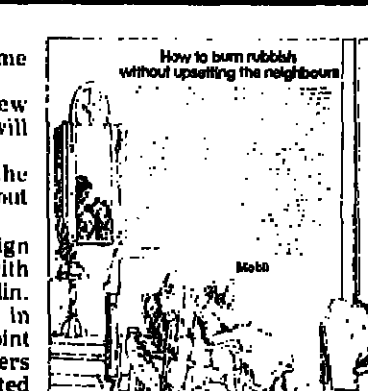
To comply with this country's anti-gambling laws, only play money printed for the purpose was wagered and prizes auctioned afterwards to change the script for something of value.

PM slips into ad

HAPPINESS Mobil style is being asked to sit reuniting around a solid fuel space heater burning rubbish pellets.

Or so the cartoon in one of the oil major's current series of advertisements on home heating with rubbish would have us believe.

But wait a minute, take a second look. That old couple sitting contentedly by the fire with a cat curled on the rug,



isn't there something familiar. Yes, I suppose there is Mobil's public affairs manager Tim Bayley admitted.

"It was not intended and the advertising agency did not realise either until I pointed it out," he said.

"It is possible one of the artists was having a joke."

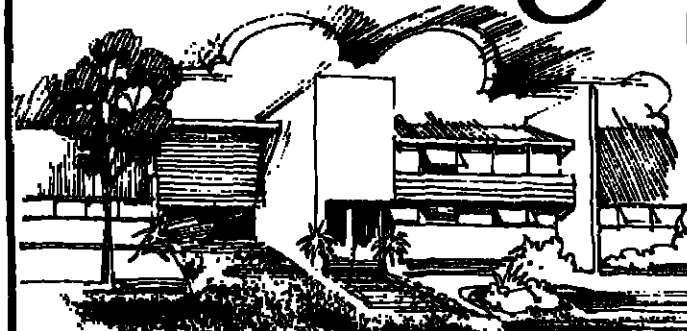
And those people looking in through the window — are they myriads of neighbours sniffing at the prospect or do they represent the bemused world viewing simplistic Kiwi animations?

The old man with the characteristic beard and prominent chin leaning on his stick is giving little away.

Perhaps he is pondering times past — like the energy decisions of 1979 and if only they had been different!

Fully-serviced sites . . . first-class roading . . . minutes to airport, seaports, motorway . . . title immediately available . . . minimal transport and distribution costs . . . abundant labour resources . . . a price which represents today's best investment in industrial land...

Auckland's Ascot has got it all

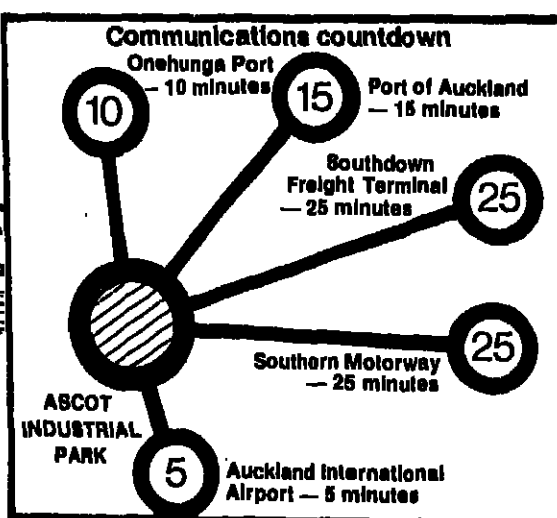


Unique opportunity

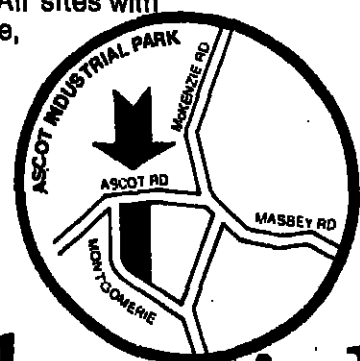
Price \$50,000 per 4050 sq.m. (1 acre) 10% cash discount or favourable terms available. You know the price of industrial land in Auckland. A prime site at Ascot Industrial Park, with all its advantages, must be the best investment of its kind. **\$50,000**

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Between censuses (1971-1976) nearby residential Mangere showed 40% population growth. In 1976, labour force numbered 14,000, available jobs were 8,000. Extra labour on tap in Papatoetoe, Otahuhu, Onehunga.



Ascot Industrial Park zoned industrial C2. Easy layout for economical construction. All sites with street frontage, underground services, wide service roads.



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OR: The Joint Developers

Land Projects Limited PO Box 10, 115 Wellington Phone: Wellington 738.238

Prestige Homes Limited PO Box 61, 892 Otara Phone: Papatoetoe, 48.029

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On the plane you are seated in a special section next to an empty seat wherever possible.

Beverages and headsets are complimentary allowing you to enjoy the movie or the music of your choice free of charge.

Long flights can be tiring but with Clipper® Class you can mix a little pleasure with business.

See your travel agent.



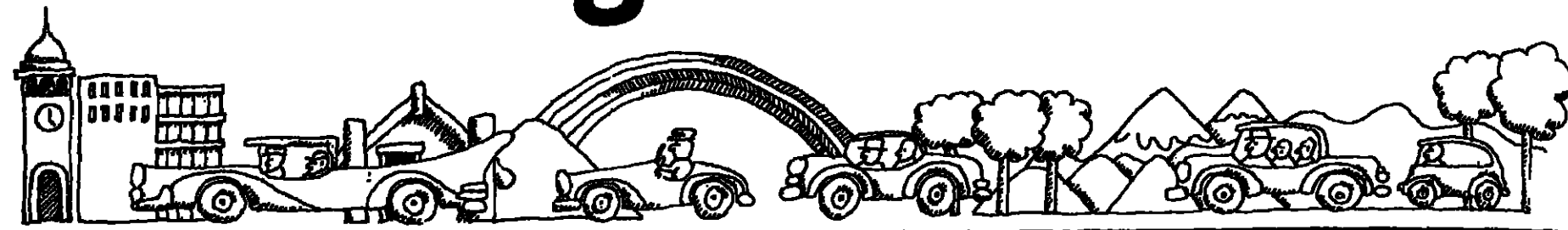
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Motoring in New Zealand



Fuel pinch swings production into small cars

by Peter Young

IN the face of carless days, ever-increasing running costs and booming petrol prices and shortages, major vehicle manufacturers both here and abroad are swinging their attentions to making less fuel go further with small cars.

Despite this, there will be few drastic changes in the under 2000cc offerings locally for some time. Rather we can expect a gradual introduction of some of the revolutionary small cars just about ready to be launched in Europe.

Evidence of the pinch being caused by the fuel situation is spelled out with General Motors' latest offerings in the United States.

General Motors has cut nearly all the fat out of its line-up, converted almost completely to front-wheel drive and produced a new range of engines comparably frugal as the best in Europe.

Gone forever are the days of the 'Yank Tank'.

GM's latest offerings have met with rave reviews by the American and foreign motoring press and if the company should seriously consider the export market there will be a great deal of heartburn in other automotive boardrooms worldwide.

Other manufacturers worldwide are scrambling to produce better, more economical cars. But few have the financial backing to pump the estimated \$US2.6 billion into the small car market that General Motors has put into its latest range of American passenger vehicles in the last year.

Heavy investment in small cars has occurred in both General Motors and Ford in Europe.

Locally, we will probably see the front-wheel drive Ford Fiesta on our roads within 18 months, although it has been on sale in Europe for more than two years.

Some time after that will be a new General Motors European small car.

Front-wheel drive also, it will have a huge impact on the European market when it arrives some time next year.

Don't expect it here until 1982 at least.

Ford's Escort will go front wheel drive for the 1980s as customers demand more space in less cars.

The Japanese already heavily entrenched in the small car market worldwide, will release an updated Honda Civic later this year; Toyota and Datsun have both just announced revised small cars and major European manufacturers that recently introduced a new small car.

Locally, we will see little of all these cars for at least a year and maybe longer.

Ford is not too keen to introduce the Fiesta, a car which may take sales from its class leader, the Escort.

General Motors will stick with the Chevette in its present form for some time and the major Japanese manufacturers will introduce new small cars here only when it suits them. They have no need for rapid change in a market in which they held nearly 46 per cent in the first quarter of this year in new car sales.

Add to that the fact that most European (Fiat, Renault, Alfa Romeo, VW) small cars are uncompetitive price-wise in New Zealand, and it is safe to say that we cannot expect rapid change in our small car market.

Despite this the swing to the small car continues with more New Zealanders than ever dropping their traditional six and eight cylinder models to make do with an increasingly small capacity four.

Recently many motorists thought that temporary oil price and supply stability would allow them to stick with these big cars, but after the latest antics of the OPEC group, were sent scurrying to

Sparks fly as officials stall electric prototype

Christchurch Correspondent

GRANDMA Duck drove one through the pages of Walt Disney comics. Hers was a hybrid of geriatric bath-chair and railway "jigger". It was sedate though not entirely safe... an electric car.

Almost as archaic in appearance is New Zealand's own electric car as created by the dedicated band of "electric" devotees at the University of Canterbury's electrical engineering department.

It wouldn't have that quaint postwar look if the current wrangle over import duty apparently insisted upon by the authorities on a futuristic Mazda body was resolved in the academics' favour. The fight over this imposition has already led to a mild showdown between the leader of the project and the Government.

Project head David Byers delivered an ultimatum to Energy Minister Bill Birch — refusal to waive duty on the Japanese car body shell meant the Canterbury venture was going down the drain and if support wasn't forthcoming it was possible he could take a new job overseas.

Mazda had offered the shell provided Wellington showed some form of support. Birch told the university that no Government financial aid could be expected and that Government energy priorities didn't include development of the electric car.

But he promised to look at the Customs' reasons for insisting on duty upon the car shell, though work on liquid fuels rated more highly.

Byers is now on study leave in the United States and England for perhaps up to a year. And though it's normal for lecturers to return from such furloughs, fellow academics told NBR: "If things aren't working well here there will be good offers from companies interested in using his knowledge for him to consider."

Byers has been on the lam project for almost eight years and is believed to be acutely disappointed with the official rebuff.

There's frustration that though Mazda is prepared to donate its streamlined shell, the Government still insists upon duty and sales tax. Mazda could, of course, proceed with the offer but ask why it should have to make additional payments.

Support so far has come from the Golden Kiwi lottery, the University Grants Committee, the University of Canterbury, Chloride Batteries via the Christchurch Battery Co, Firestone (tyres) and other southern businesses.

The boffins at Lam campus insist the electric option should be examined parallel to liquid fuel proposals. "I think it's a one-sided accent upon liquid fuels," Richard Harman, project deputy-leader told NBR. "There will be a place for the electric car alongside liquid fuel vehicles."

"Even if we imported oil to burn in power stations and passed the electricity through to charge batteries in electric cars we'd import less oil than needed to make petrol and we've ample hydro power anyway without doing that."

"If Mazda does eventually get the chance to help with the Government deciding not to collect duty, the shell will encase our Mark III vehicle."

Mark II is under construction at Canterbury's department of mechanical engineering "hampered by lack of finance". No one knows when it will purr up Memorial Avenue. "Maybe six months."

There's plenty of static about how marvellous electric cars will be as petrol supplies dwindle and oil prices soar but just how effective is the car's own power source? United States Secretary of Transport Brock Adams cooled off considerably as an electric car fan when his official buggy broke down on a Washington hill.

The breakdown truck didn't want to touch the car so Adams and his son tried to push it. Zero distance; the raft of batteries slung below the car made it too heavy to shove. Problem: the need for a better battery.

Harman said: "It is the biggest handicap at the moment and has been for years. As a result of work with our first batteries the second lot will be better and will also power the car further. We used 20 12-volt batteries in Mark I and will again in Mark II but there is the possibility of a jump in technology levels within the lead acid battery field."

Electricians have a range of only 60-90 kilometres per charge and the faster they are driven the faster the charge fades. Most have top speeds of 100 kph.

Byers' Mark I does a steady 50 kph for 40km "with a very non-aerodynamic body". One can readily see the need for a better shape than a modified family saloon presents. Mark II is very extensively modified, especially aerodynamically, and will scoot along at the same speed for twice as far.

But would one be safe on motorways where faster speeds require sharper acceleration than the truck-slow electric? The United States Energy Department considers them too dangerous for high-speed highways. Harman concedes that from rest the electric is a slow mover "but it goes fine on the open road, retains the ability to accelerate and has overtaken fast-moving cars to their owners' surprise. It can be driven at 80 kph for 20 km but you'd use the battery capacity quickly."

The emphasis for electric is obviously upon short-distance city driving for commuter and service uses with the odd short motorway dash. There are 10 million vehicles in the United States that never exceed 50kph on any given day but only about 2000 electric cars. The potential is enormous.

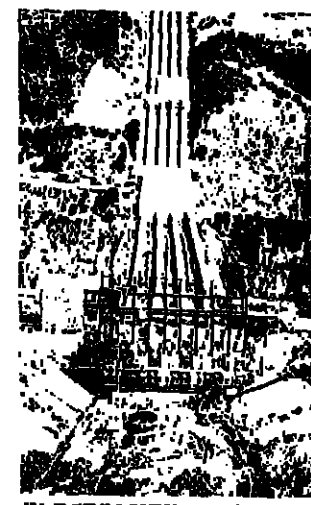
But didn't Lucas Batteries Ltd suffer a setback in Britain after 10 years of clear sailing with its experimental electric, one of their 65 vehicles exploding into tiny bits one night while recharging in a Birmingham garage?

You can't park an electric on the street or nocturnal joggers would break their necks tripping over the trailing power cable recharging spent batteries, and garages must be ventilated as lead acid batteries, 20 of them, emit volatile hydrogen gas.

Harman downplays the risks: "It's normal to see that a safe system develops; there are risks with gasoline."

Don't batteries have to be checked for water every day? Not at all, perhaps every week or month. Lam is working on a centralised topping up system to avoid taking off all those water caps. Nor does Harman see any real problem with the effects on body paint and upholstery of sulphuric acid fumes, or with special springs to take the weight of batteries.

With light use the repurchasing of batteries could be kept to as much as four year cycles.



ELECTRICITY... seeks acceptance

The electric owner doesn't have power brakes or power steering as these aids place strain on the power source. So does heating. But Canterbury's Mark I has regenerative braking. This comes into operation when the accelerator pedal is released

and roughly equates to "engine braking" in a gasoline car.

The first movement of the brake pedal brings into operation a higher level of regenerative braking giving rise to a total retardation of the order of 20 per cent and on the latest overseas vehicles a depressed brake pedal can keep the regenerative braking working until the electric is at rest.

Heating in foreign cars is ironically by means of gasoline, bottled gas or kerosene.

About 100 prototypes were shown at the last International Electric Vehicle Symposium in the United States. General Electric's Centennial Electric weighed 1.5 tonnes and has a low centre of gravity because .55 tonnes of that is in batteries slung on a movable trolley beneath the vehicle running almost its full length.

To keep the car low to reduce air drag and to permit easier entry the

back seats face to the rear below a hatchback rear door. It has 18 six volt lead acid batteries, a range of about 120km at a constant 65kph and passing speed of 98 kph. In stop and go urban driving its range is about 70km between charges. It can accelerate from zero to 50kph in 9-10 seconds.

The optimists are convinced of the electric car's future. Lord Ironside, president of the Electric Vehicle Association of Britain snorts: "If an electric vehicle can be got to the moon, surely it can be put on the road."

Harman argues: "Are we always to be dependent on overseas technology? Of course no one has been able to compete with overseas cars in the gasoline range but there is a change in technology now."

"We have one of the breakthroughs here and the stage has been reached where there could be a New Zealand design that could conceivably end up being exported."

Several nations have

extensive programmes; in Britain there are between 40,000-70,000 electric cars on the road mostly as delivery vehicles. They're used as post office delivery vans in California, buses in France... and there are delivery electricies whirling through the streets of New Zealand cities already.

The Americans have been ploughing finance into it and for the past two years following the 1976 Electric and Hybrid Vehicle Research, Development and Demonstration Act, initial budget was \$160 million for 3 years and climbing.

But sparks have flown since the General Accounting Office deemed results discouraging.

Cost, performance and safety factors were barriers to the electric car, said the GAO.

With an apparently similar official attitude in Wellington, the sparks are also flying behind the ominously mushroom shaped lecture hall of Ilam campus' engineering school.

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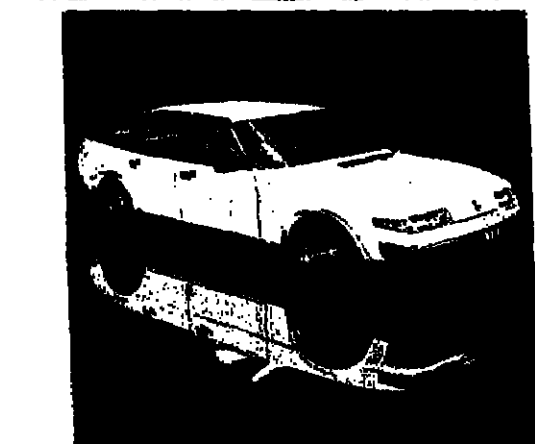
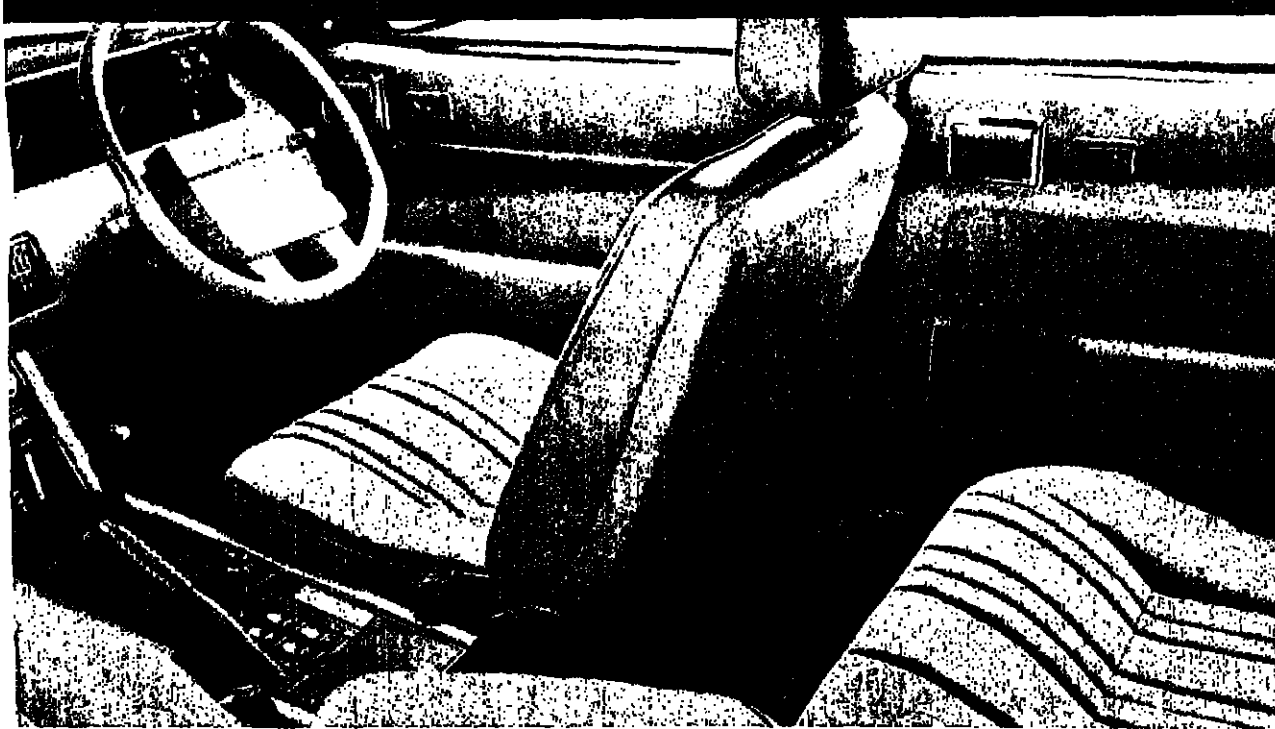
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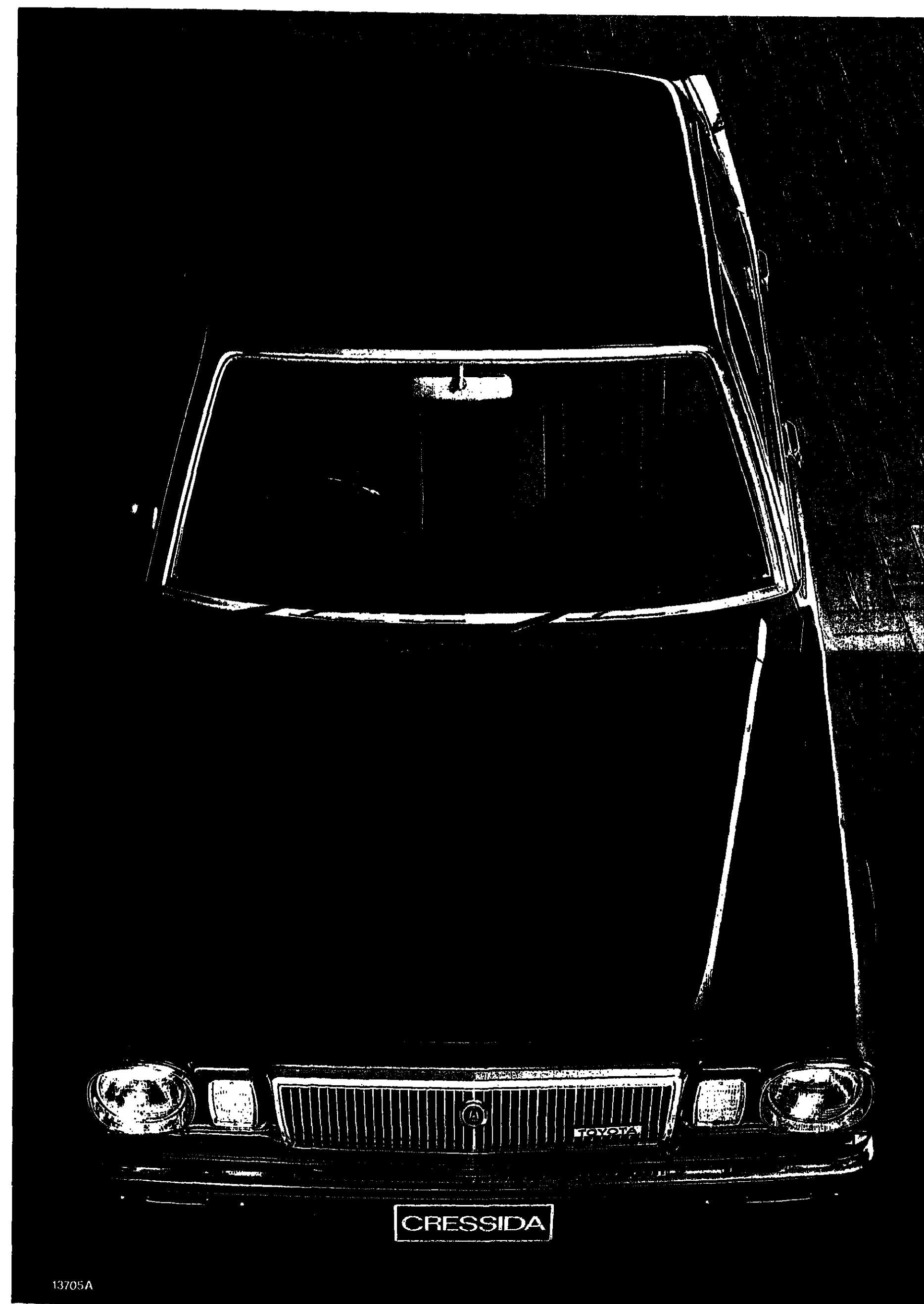
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Big changes as motor industry faces the 1980s

by Donn Anderson

THE energy situation has forced motor manufacturers into a revolution that will mean big changes to the vehicles of the 1980s and beyond.

As economies of scale become increasingly important, some car makers will disappear. Others will merge, there will be substantial rationalisation and more interdependence between manufacturers and different countries.

Developing nations like Taiwan, Korea and Singapore will make growing contributions to the world motor industry, manufacturing parts and components, quickly and efficiently.

But, more important, cars and commercial vehicles will become much more efficient and smaller. This downsizing does not imply a cost reduction because the smaller the unit the finer the line between profit and loss. And, more efficient design could well mean greater sophistication in design and the use of expensive materials.

The biggest changes will be seen in the North American auto industry, causing repercussions throughout the world. Downsizing of vehicles has been forced on the American manufacturers by progressively restrictive legislation on fuel economy during the next six years.

But the changes may mean the Americans could rule the motor world sometime during the next decade. For one of the keys to efficiency is reduced weight. Bring the weight of a vehicle down, and fuel consumption is immediately improved. The Americans, with their NASA space research and development, are world leaders in this area.

The Japanese and Europeans can produce small engines and transmissions but it is inconceivable that they can match the United States in terms of vehicle composition after the experience of the Americans in space. In addition, North America can produce motor vehicles very efficiently, and has the necessary production ability.

Weight saving is only one factor. Other areas such as the reduction in aerodynamic drag, the use of micro-processors and more economical engines also figure in the vehicles of tomorrow. But all motor vehicle manufacturing nations are now placing tremendous emphasis on weight reduction.

Designers and engineers were told at a recent symposium in Geneva that they should collaborate more seriously with component designers to learn about new techniques of weight saving in motor vehicles. Original equipment manufacturers described how it was possible to save weight by using lighter windshields, light alloys, reinforced plastics, carbon fibres and lightweight propshafts and clutches.

Frank Shaw, a leading British designer and engineer at Jaguar Rover Triumph, said most experience and knowledge of very lightweight materials had been derived from the aircraft industry. The message from the symposium was that motor manufacturers should take a more active interest in them.

British Leyland engineering director, Spen King, who was in Nelson in June for the launch of the New Zealand assembled Rover 3500, stressed the importance of weight saving in future designs. He saw great savings

from increased use of aluminium.

Aluminium manufacturers already know that United States cars will use twice the amount of aluminium in 1985 that they do today. John Steel, national automotive sales manager for the Reynolds Metal Company, said: "When you take into consideration that in 1978, the first year Government regulations went into effect, average fleet mileage had to be 19 mpg (US gallons); that in 1980 this will rise to 20 mpg and that in 1985 it will soar to 27.5 mpg, there is no way that the industry can obtain weight savings except through lighter weight materials. Aluminium will be a major consideration. And we'll be ready for the new business."

Aluminium is already being used to good effect in latest North American models. An extruded aluminium rear bumper on the current Ford LTD weighs 10 to 14 kilos less than the comparable steel unit. Ford is also effecting weight savings by using aluminium for master brake cylinders and composite brake drums, bumper reinforcements, intake manifolds and in parts of rear axles.

Strength of vehicles must be maintained or improved in these safety-conscious times, and aluminium is seen as one of the most strong, yet effective applications in reducing weight.

Such is the anticipated demand for aluminium not only in the automotive world, but for aerospace, cans and containers, that the non-socialist world can expect severe shortages and higher prices by 1982.

According to the Aluminium Association, increased use of aluminium in motor vehicle bodies and engines will be commonplace by the late 1980s.

Plastic is also taking the place of steel, and some industry sources predict motor vehicles will be almost completely made from plastic by the end of the century.

Lucas in Britain has been making plastic headlights for Vauxhall Viva and Chevette models since 1975.

The lamps are made from dough moulding compound (DMC), using a unique mixing formula.

Previous limitations in the malleability of steel greatly inhibited shapes and sizes of headlights, and restricted the vehicle stylist in the battle to improve the aesthetic appearances of cars.

But through the use of DMC, stylists can design headlights unlimited by shape or size.

A Lucas spokesman said: "We have made more than 400,000 headlights from DMC and there have been no quality problems."

Plastics will not only help the weight problem. They assist in the fight against motor vehicle corrosion. Plastic body panels and plastic liners for wheel arches are becoming more common.

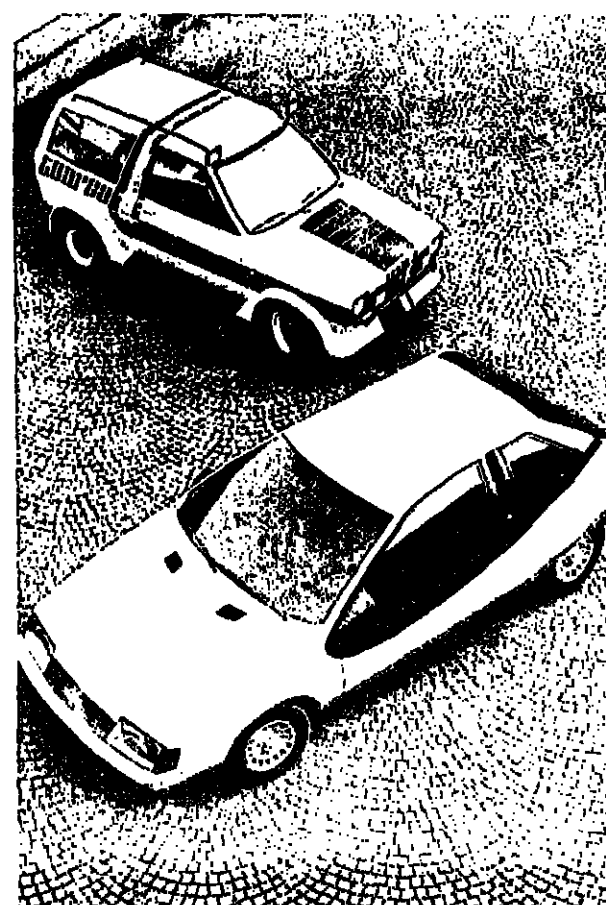
The British GKN Group now has a composite leaf-spring which weighs 90 kilos less than the conventional steel equivalent.

A carbon-fibre composite material has been used for the three-leaf spring which weighs only 30 kilos and offers operators of heavy trucks an extra half tonne payload capacity on a typical four spring truck.

Powder forgings, pressure die-cast alloys and stainless steels, advanced finishing technology for aluminium alloy wheels and fasteners,

LEADERS in the space race, the Americans have the edge on competitors as fuel economies force car manufacturers to produce smaller and lighter vehicles. Smaller, however, does not mean cheaper. Donn Anderson looks at the trend to more sophisticated design and some of the new materials—aluminium, plastics, and carbon fibre—which are edging out the traditional heavy-weights, steel and glass.

The next 10 years will be the most significant in the history of the automobile. What has to be packed into the decade between the end of the carte blanche on oil and the appearance of the car industry's 1985 models is a challenge which makes even the change from wood to all-steel bodies early this century pale into insignificance.



EXPERIMENTAL FORDS ... Increased glass, improved body aerodynamics and decreased vehicle weight.

sintered components and transmission components are all on the horizon.

GKN has a new single-piece composite propshaft which, at four kilos, can replace a conventional two-piece steel propshaft weighing 10 kilos.

Because of its extreme rigidity and its light weight, it eliminates the need for a central joint together with its associated bearing.

The special properties of carbon fibre such as its thermal stability, corrosion and fatigue resistance, makes it an attractive material for many uses.

Its basis is usually a special acrylic fibre which undergoes complex molecular changes in a process that stretches it under closely controlled conditions and then passes it through baking ovens where it is first oxidised and then carbonised.

The result is a filament of high strength, high stiffness and low density which, in combination with resins, can be formed into light but strong components.

Composite materials could eventually be used in driveshafts, engine push rods, seat frames, bumpers, hinges and wheels, as well as coil springs, suspension arms and gearbox housings.

Future applications for the commercial vehicle include axle beams, chassis frames and flooring and brackets. Europe's petrol bill could be cut by more than \$300 million a year, at current prices, by fitting cars in Europe with thinner, lightweight glass which is now available.

Triplex, the major United Kingdom-based safety glass maker, claims new windows of 3 millimetres or thinner, used for side and rear windows (not

"Making very thin, high quality glass to meet international standards, poses severe technical problems and there are also car design aspects which need study," said Triplex expert John Pickard.

"However, we believe the weight-saving prospect is an exciting one in the motor industry's urgent search for greater fuel economy."

Glass on an average family saloon weighs more than 32 kilos, but Triplex believes there is great potential for reducing the thickness of rear windows which are major contributors to glass weight. Already Ford's small Fiesta model is fitted with 3 mm side windows.

General Motors, the world's largest motor manufacturer, believes it can cut weight by 20 per cent through use of lighter materials.

GM has reduced the average weight of its cars by 295 kg in the past four years. But it needs to trim another 318 kg from cars produced in the United States to meet 1985 fuel regulations.

An average 400 kg will be trimmed from Ford cars in the three years from 1978 to 1981. New Zealanders are beginning to reap the benefits of lighter vehicles. By 1985 the average 2-litre saloon sold here will be 91 kg lighter.

In the past two years a change to single leaf rear springs, a lighter exhaust system and battery have shed 33 kg from the overall weight of a Ford Escort.

In the big end stakes, the recently introduced Falcon XD is claimed to be 116 kg lighter than its predecessor because of increased use of synthetics. The next 10 years will be the most significant in the history of the automobile.

American industry leaders say it is a matter of packing four decades of change into one.

Elliott Estes, president of GM, recalls the change from wood to all-steel car bodies in the early part of this century.

"As significant as that breakthrough was, it pales in comparison with what the industry must do in the decade between the end of the oil embargo (1974) and the appearance of our 1985 models," says Estes.

"Our challenge is to force technological progress of at least ten times that magnitude in one-fourth the time—even that may be stating it too conservatively," says the GM president.

Ford president Philip Caldwell says motor com-

panies used to be accused of planned obsolescence.

"In fact, until very recently our products used to change rather slowly and gradually," says Caldwell. "But since the Government stepped in, there's no question about planned obsolescence and it's the Government that is doing the planning, or at least the pushing."

The Ford chief indicated that the downsizing of North American cars will likely increase their appeal on world markets.

"I think the revolutionary changes in automotive design that the regulations have initiated are creating a great new market for our products," says Caldwell.

Du Pont believes the average 1985 USA car will use between 160 and 230 kg of plastics, compared with 90 kg today. This increase will result in an overall weight loss of more than 300 kg per car.

Richard Bennett, Du Pont's manager of automotive market development, says, "Auto companies are looking at the potential for redesign and for new materials in literally every part or component of today's car."

In many instances companies are starting out with clean sheets of paper. Frank Daley, GM's director of manufacturing development, comments, "Whereas the old evolutionary changes in the auto industry were pretty slow in coming, today we have the opportunity to take great steps in what our industry considers a very brief time frame."

Weight trimming is, of course, just one element in the more efficient motor vehicles of tomorrow.

British manufacturers recently agreed to improve the average petrol consumption of new cars by 10 per cent by 1985.

The base figure at October 1978 against which the annual consumption will be assessed is 10 litres-100 km. So the industry is planning towards a national average of between 8.8 and 9 litres-100 km.

During the next ten years, the combination of weight cuts, improvements body and engine designs and greater use of electronics will see the fuel consumption of cars reduced by around 30 per cent.

The average car in New Zealand today consumes about 9.6 litres-100 kms. This should have dropped substantially to 6.2 litres-100 km by 1989.

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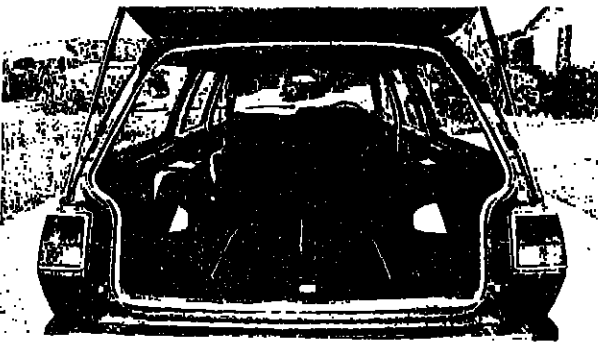
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MAZDA 626 ... thrifty, quietly smart and very space-efficient.



GALANT SIGMA ESTATE ... plastic, but smooth performing luxury.



COMMODORE ... presence, appeal and much more.

Best buys in the executive range: currency

by Jim Webber

WITH the energy situation shaping up the way it is, the best buys in executive cars this year undoubtedly are any six and eight cylinder models that ask for no more than 9.4 litres of petrol per 100 kilometres — which is 30 miles per gallon in the old thrift.

Unhappily they're as rare as silence in a Skoda. Should anyone know of any I would appreciate advice, since I have a friend in the trade who says he could sell a bundle of them.

Anyway, does it matter all that much whether you use 9.4 or 14.1 (which is 20 mpg in OT) litres per hundred kilometres?

When you look at annual fuel costs on, say, 15,000km a year, it's the difference between \$546 and \$827. And that's the deep end.

After looking at a few fleet figures, that hairy old postwar adage about big cars being cheaper to run than small cars looks not so far-fetched.

Some company fleets are turning back to sixes after a whirl with economy fours, purely on wheel-stop time.

But let's not denigrate the four-cylinder ranges, which again have come through a year of up-specing, as they say in the industry. Improvements and extra equipment can't be denied when former buyers of big

cars are seeking solace in mid-size models which bristle with gadgets and more trim luxury than their larger predecessors.

The other major puzzle of the year is whether to go CBU or CKD — that's completely built-up or knocked-down, for local assembly that is, or SUP (single-unit-pack) which is General Motors jargon for CBU.

From the CBU shelf come cars like Benz and Audi, Peugeot and Citroen, Volvo, Scirocco and — now that assembly has stopped at Nelson — Jaguar.

I've a special regard for Citroen and Audi, which are badging some splendid cars these days, and if you're

taking the energy scene seriously cars like these have much to offer since Europe has been motoring along with high fuel prices for years.

But face the prospect that resale values these days are tied more to currency moves and inflation imports than to the good old motivation of desire in the marketplace. Throw in the replacement-parts angle, and you might have further cause to pause, and ponder again the locally assembled selection — from which I've chosen the following models ... leaving the inevitably slightly boring lineup with a few cars which are closely related to locally available cars, and therefore

are favoured with a fairly active local market environment.

Commodore SL-E and Fairmont Ghia seem to be the decision-makers for bigger-car fanciers this year, and they're both admirable big cars. GM still isn't talking prices at the time of writing, though the Commodore is on the line at Trentham already, but it looks as if the automatic SL-E will work out at around \$14,680 and the SL-E-8 at \$19,000 or so, one each side of the \$17,200 Fairmont Ghia.

The Fairmont is modelled on the English Granada styling which has done Ford of Britain proud, and it is a very exciting car to use, with plenty of power

and plush, a compact but just as much space as areas as the supermini Fairmont.

It has some neat tricks — such as a new fuel tank, very accurate gauge and electric speedometer — and a Volvo-type outline bath which allay any fears that nuns are doing pity that the Aussie decided against the 602.

Independent rear ends, because under pressure Fairmont and the other Falcon series sedans match the excellent adhesion of the Commodore's interesting model. It takes the end of Holden as well as them, and takes its toll from Opel, which makes two cars GM-H marital, create the compact Commodore and still sufficient space under the hood for the familiar 4 engines.

The Commodore has presence and appeal, a neat trick-knocker, Achilles heel probably is thirst. The only one driven, the V8, was at least economical — the end of coming in, as all the Commodore's will, with a low emission control system. It costs more, I'm afraid, to take it off the P's engines than to leave it. I have heard good reports the SL-E, which is a compare reasonably well the fuel consumption to the locally built Kingswood Premier.

Available ex-Australia luxury car buyers who stay with GM but who Commodore is unappealing, is the Caprice SE around \$26,000.

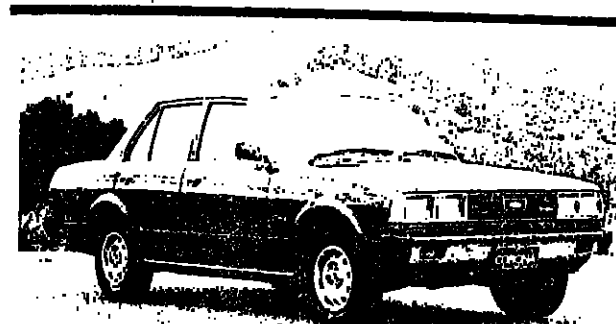
Ford's Ghia label is being affixed to the new model, which might be ultimate in making a car. But its beauty is in its cloth upholstery and \$9,000 Escort Ghia has a 1.6 litre engine, which a lot of fun into motoring.

Cortina Ghia, which whole thing off, certainly the well-dressed sports trouser it is, strongly of the best-selling car in the country this year knowing that its success Mark 5 Cortina, is in the wings.

Sole relic of the carriage trade, the Jaguar and Triumph have gone, is the now in production at an and an impressive motor the dribble of CBU have seen.

Though important have been around for time the New Zealand being given a hand by people because a better-quality job than built predecessors.

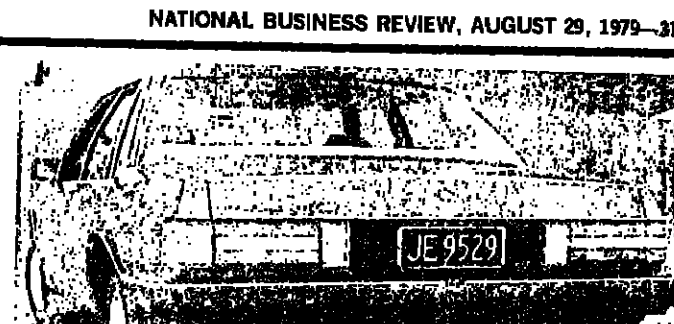
Finish and fit, examples I've seen been a credit to the plant. Even Spier, who was the launch, told me we'd get better from the British ones — not a man to wrap nicely for the PR



TOYOTA CORONA XT ... surprisingly pleasant for the price.



ROVER 3500 ... a credit to the NZMC plant



FORD FAIRMONT GHIA ... some technical tricks.

movement and inflation favour local lineup

Largest hatchback on the market, the \$23,897 Rover is commendably thrifty: in old thrift, look for 24-27mpg. Main differences between this and the imported models are the power steering, which is turned down a bit to suit local tastes, and the upholstery cloth which uses brushed polyester in preference to the United Kingdom nylon which was judged to be less durable.

NZMC has expanded the Honda Accord range, by blending in the four door model, which feels interestingly more opulent than the hatch and undoubtedly is executive-car material. Provided you don't mind front-drive it's a damned nice little car, though \$11,116 seems a fearful price for a 1.6 sedan, good and all though it is.

Equipment levels are excellent. There are neckback holdalls behind the front seats and warning lights for just about everything. You even get a wink when it's time to change the oil filter and switch the tyres round.

NZMC is putting untapped licence into the Prelude version of the Accord — rather than into Range Rovers and old-fashioned sports cars. It's a front-drive car for people who hate front-drive cars. Power steering takes all the reaction out of the tiller, and other goodies include an electric sunroof and a clever little built-in radio. At less than \$12,000, a lot of two-plus-two car.

The other really interesting mid-size sedan is Mazda's 626 which slots right into the

popular and crowded two-litre sector. Good to handle, thrifty, quietly smart and very space-efficient, rear backrest divides 60/40 and folds down to extend the boot, it's a mighty improvement on the 626.

Limited version with five speeds and wider wheels costs \$10,450. There are a few built-up coupe editions here.

There's nothing from Mazda, of course, quite like a rotary, and off the CBU shelf there's nothing quite like the superclean RX7, \$18,000 worth of silent blaster that makes

most sports coupes seem like rolling mules.

Mitsubishi's Sigma GLS is still the Todd Park flagship, with the \$10,397 Chrysler Alpine — soon to be renamed, along with all Chrysler-labelled cars from Europe, with the once-distinguished name of Talbot — not far behind. Sigma, 626, Cortina Ghia, Lancia 2000 ZX ... these are the top mid-size sedans, each with its own variations on the theme of making former 14-car owners feel at home. The Sigma GLS strikes some

people as being a bit plastic. Overall it's a smooth performing luxury four with lots of gear, five speed manual transmission, elegant styling, and also a station wagon version.

The sedan costs \$10,895, the wagon \$11,395.

Toyota's Corona XT and the rather precious plush Datsun 2000 ZX come into the club at \$9,800 and \$11,250 respectively. Recently re-engined, and rebadged though it doesn't look much different from the Corona 2000SE, the XT Corona

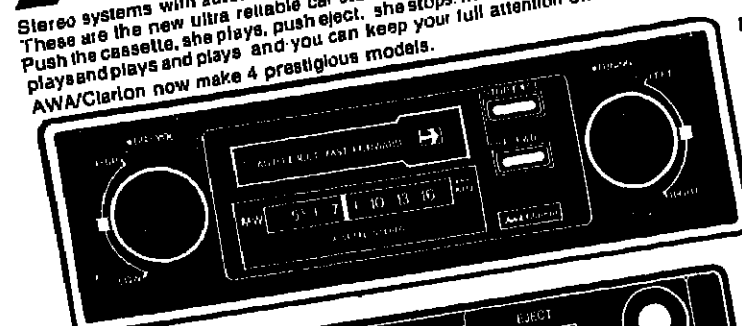
is surprisingly pleasant for the price.

It's much more modern than it looks, and the engine uses little petrol. Though downsized to 1.8 litres, it gives better power-weight readings than the former 2.0 unit.

Both the range-topping sixes from Toyota and Datsun are getting a trifle antiquated now. Even in the past, their main interest has been to show how little expertise the Japanese have in the big car field — a situation that's unlikely to change now.

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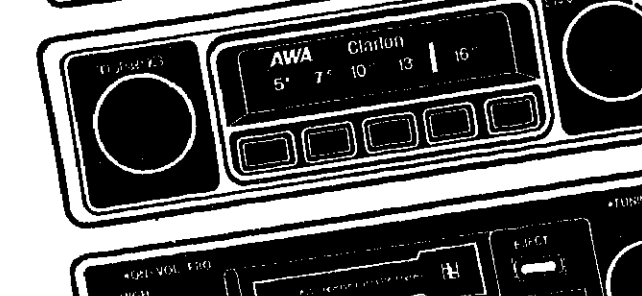
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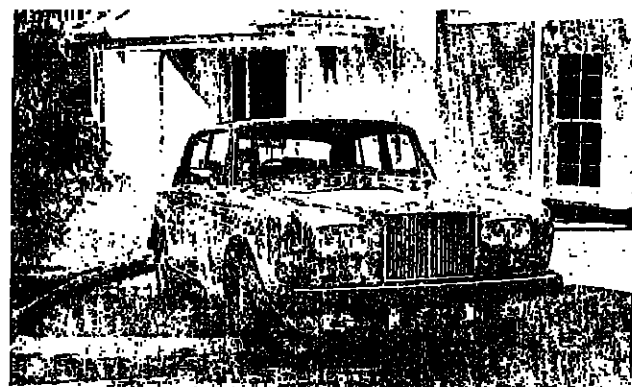
We check everything from the ignition timing and the brake fluid level to the full tool kit in the boot. We check for leaks in all pipes, and leaks in the body fit and hood. We check valve clearance, clutch operation, ex-

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by Donn Anderson

A Rolls Royce, still the ultimate status symbol on wheels, is probably the cheapest of any car to own.

Any Rolls Royce model is an appreciating asset, and usually becomes more valuable the instant it leaves the new car showroom floor. This is particularly apparent in the car's home country, Britain, but is also a fact of life in export territories.

Once you've made the initial capital outlay and decided to buy a new Rolls every two years, you will actually make a profit on your motoring —

and drive a car that is unique, of course.

Limited production of the hand-built cars means there is a permanent waiting list and a premium on near new, low kilometrage examples. Since Rolls Royce gives preference to export, the delivery situation in the United Kingdom is aggravated and even higher profits can be realised quite legally.

Most popular of the Rolls Royce models is the Silver Shadow four-door saloon which has been in production for more than a decade. Two years ago the company introduced a revised Series II

version which is a big improvement on its predecessor, and even more highly sought after.

Silver Shadows ply British roads in their hundreds, but they are relatively few and far between in New Zealand. The number of Series II models could likely be counted on one hand although the Series I is more numerous.

A Silver Shadow of any vintage is a good investment as well as having "a passion for perfection," according to the makers.

Inflation and an increasing desire to own super luxury cars mean the purchase of a

new Shadow today is just as good an investment as it was last year — or in 1968.

Ten years ago, for example, a new Silver Shadow cost a mere £37 sterling in Britain. Today the same car in good condition (and they tend to remain in good condition longer than other motor vehicles) on the United Kingdom market fetches £8000 sterling and more. This year Rolls Royce celebrates its 75th anniversary and it is reassuring for owners to know that more than half the "Rollers" as they are affectionately known, are still running.

In the past year the price of a Silver Shadow II has risen 29 per cent, but demand continues to increase. At a recent auction in the United Kingdom a delivery kilometrage Shadow realised 37,250 sterling which was 30 per cent above the car's list price at the time.

The local distributors, New Zealand Motor Corporation, aren't keen to be tied to precise prices for a Rolls Royce, but the pre-devaluation figure for a Shadow II was around \$110,000. New Zealand's allocation is two cars a year, but often Rollers are bought on home delivery in Britain and used there for several months before importation here.

Several have spent "resting" time in New Zealand using up their mandatory duty-free time before being shipped on to Australia. The cars remain here under bond and, provided they are re-exported within the specified period, they do not incur any duty or sales tax charges.

To celebrate the 75th anniversary, 150 special silver-painted Silver Shadows with red instead of black badges are being made. More than half will be exported and, despite New Zealand's low volume, one of the anniversary models may find its way here. The price? Perhaps close to \$130,000, but almost certainly a sound investment.

Rolls Royce may be a big name when it comes to cars, but in unit terms the company is small fry. However, production expansion in recent years has been impressive. Ten years ago RR built a mere 1800 cars; this year the company hopes to double this figure. Last year's production of 3328 cars of which 60 per cent were exported was 10 per cent higher than in 1977, and Rolls Royce is planning on doubling output of the Corniche model to 600 units a year. Despite the comparative smallness of Rolls Royce Motors, the company is investing more than \$10 million annually on research and development projects. It also intends spending more than \$80 million on plant expansion during the next three years.

Rolls Royce has made remarkable financial progress since the 1972 financial crisis associated with the RB211 aero engine. This resulted in two entirely separate new companies. One is the gas turbine engine interest owned and controlled by government, and the other is Rolls Royce Motors handling the car and engine divisions.

In May 1973 Rolls Royce Motor Holdings was floated in the London Stock Exchange and since then things have never looked back. In 1978 Rolls Royce made a profit of 16.5 million sterling on a turnover of 162 million.

There is a remarkable mystique in Rolls Royce that is reflected in the conservative

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Rolls — asset appreciates for cheap motoring

looking Shadow II. Regard of economical problems and distaste by some for the things restricted to the fortunate few, a Rolls is the ultimate. It's an index that you have really either the business or no world.

Although the Series II incorporates 2000 improvements over the original Shadow, it is still very much a Rolls Royce from hand-made radiator to made just the same since years ago.

But signs that RR is not with the times are seen in large air dam below the spoiler to break up the high pressure that can be beneath the car at speed. Bumpers capped in polyurethane impact to air dams or spoilers have been seen on many late RR Rolls Royce models: a device "a significant step in automotive design".

Giving a strong indication of longevity, the speedometer on the Silver Shadow reads: 988,989 kilometres.

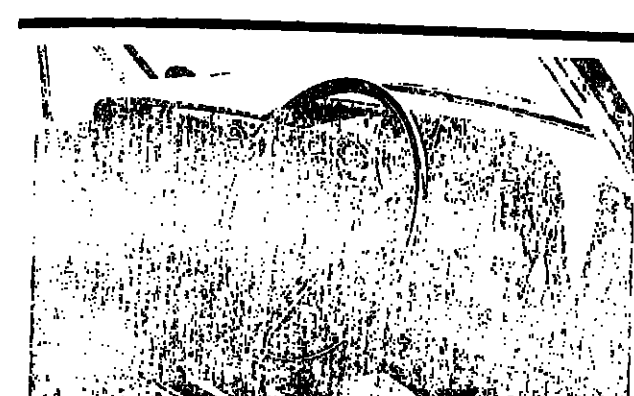


Two New Releases
The two most recent releases from the House of RR are again shown the distinctive wheelmaking skills. The new offerings are a 1979 Gull Wingage Port and the 1978 Pickle Rialling Grenache Port Vangue.

A Port which embodies traditional qualities of taste and richness, this 1978 Port benefited from a favourable ripening season followed by careful vinification producing a full body of portification with a rich, old, wood-matured character. Grenache Vangue is to be enjoyed now (6-12) have the will-power to allow five to ten years more to full potential.

Another fine Vangue is the 1979 Late Pickle Rialling. The two most recent releases from the House of RR are again shown the distinctive wheelmaking skills. The new offerings are a 1979 Gull Wingage Port and the 1978 Pickle Rialling Grenache Port Vangue.

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electronics replace its cable. So for Rolls, the last possible source of mechanical noise in the instrument system has gone.

Time means little during the manufacture of a Rolls Royce. It takes three months to build a Silver Shadow, and four months for a Corniche. Of this, about six weeks are spent undergoing a paint process.

The bodies are made from steel, with galvanised steel in areas on the underside of the body which are vulnerable to corrosion. Bonnet, doors and boot lid are made from aluminium alloy.

Time means money, but Rolls Royce manufacture takes no short cuts. RR point out that there is nothing in the world that cannot be made just a little cheaper — and just a little worse.

David Plastow, the forward-thinking managing director of Rolls Royce Motors, said recently: "We can continue the process of refinement and technical development which is only possible in a product which does not have to be made down to a price — our customers expect the best and they are prepared to pay for it."

Conservatism runs strongly through all Rolls Royce models. But the high cost of the vehicles is a direct result of careful engineering, lengthy manufacturing and high standards of quality control not found on other cars.

The rear suspension on the Shadow, for example, was the result of eight years of development. Incredibly low wind noise in a car that is hardly aerodynamically efficient is achieved by using two special rubber door seals. One type is used for the windscreen pillar where the door slides shut, and another on the central side pillar where the door pushes shut.

And if something works well, Rolls Royce sees no reason to change it. The fascia switch box that operates lights and ignition is the same as it was in 1947, and the polished walnut fascia is still part of the specification.

The woodwork in the car is lacquered and buffed by hand to a finish that looks like glass and is almost as hard. If you were so inclined, a cigarette could be stubbed on it without leaving a trace. It's also termite-proof.

Dimensionally, the Silver Shadow radiator hardly differs from a 1908 Silver Ghost, and the makers claim only ten men in the world can craft the radiator. The pieces are hand-soldered with large, old-fashioned soldering irons. Electric ones have been tried and found wanting.

The "flying lady" atop the radiator which has long been known as the "Spirit of Ecstasy" is a great attraction for souvenir hunters. Many owners now wire the mascot to the air horn system to encourage people to honk. Next time the Rolls is parked in a shady part of Wellington or Christchurch, remember the mascot alone fetches a hefty \$835 in New Zealand.

Driving a Rolls, or even sitting in the car, is awe-inspiring. Wide doors allow easy access, and electric

controls alter legroom, height and cushion tilt. Seats are finished in leather hide but there is a distinct lack of lateral and lumbar support in the front.

Equipment is immense and includes a speed-hold (set your speed and the car does the rest), electric petrol filler cap release, central locking, quadrophonic stereo system and air conditioning.

Rack and pinion steering on the Series II replaces recirculating ball, and this power-assisted system is a big improvement, while front suspension changes have improved handling and roadholding.

Rolls Royce is the first to admit the Silver Shadow is not the biggest car in the world, nor the fastest. But the smooth 6.75 litre V8 waits the two tonne car along silently and with adequate power. The Silver Shadow has a modest top speed of around 185 kmh and accelerates from a standstill to 100 kmh in 10.5 seconds — figures that can be comfortably bettered by less expensive machines like the Jaguar-Daimler XJ12 or Mercedes 450SEL.

The makers say you can still balance a coin on the radiator of a Rolls Royce, and the silky aluminium engine is never obtrusive. Most Shadows average around 23.5 litres-100 kms which isn't out of the way when accounting for the executive budget.

But despite the massive 107 litre petrol tank, the 450 km range of the Rolls is insufficient to take the businessman from Wellington to Auckland on a petrol-less weekend.

While there are other cars that will out-handle and out-pace a Rolls, no others can cosset occupants in such secure surroundings. The craftsmanship and standard of finish is unequalled. No other car has the same aura.

The detailed Silver Shadow design is made up of 80,000 individual parts compared with about 12,000 for the average car; has four-wheel ventilated disc brakes, 21 electric motors and probably the most sophisticated throttle linkage of any car. The Shadow is good enough to boast a three-year, 90,000 km warranty.

So there is a world of difference between this and other motor vehicles. It can stand alone on its social status. Even the usually strict United States Government granted Rolls Royce an exemption to the required fuel economy targets on the grounds that the company's sales volumes were so low that their energy consumption was negligible.

But RR is still working towards a 25 per cent weight reduction during the next few years, and a new Silver Shadow model is scheduled for launch at the end of 1980.

If a Silver Shadow isn't enough for you, the less practical, two-door Camargue costs 77 per cent more. But it is made at the rate of only two a week and the waiting list is seven years and more. In the event of picking up a cancelled order, however, a new Camargue would cost an extra \$20,000 the moment you drove it out the door. No wonder so many people who are at the top are seen in them.

Tax perks make vehicle leasing attractive; releases cash for working capital usage

by Donn Anderson

A MORE professional attitude toward motor vehicle leasing in New Zealand is resulting in an expansion in this sector of business.

There is no doubt that some people are still nervous about leasing and, in fact, the system does not necessarily have advantages for all types of commercial application.

But the freeing up of capital and taxation benefits can make motor vehicle leasing very attractive.

In addition, companies are able to ascertain fleet costs in dollar terms, and pinpoint the cost of a vehicle over a two or three year period.

Equipment and vehicle leasing in New Zealand has grown from around \$55 million in January 1976 to almost \$90 million in January 1979.

In the year ending March 1978, New Zealand Finance Houses Association member companies outlaid \$99.4 million in loans, advances and leasing for motor vehicles — the largest single item.

Second was housing (\$94.3 million), followed by heavy construction (\$68.6 million), and even transport and storage was well down on motor vehicles at \$62.4 million.

While it is true that hire purchase also releases capital to work in other areas, there is more to be gained from leasing.

Existing hire purchase regulations for new cars specify a 60 per cent minimum deposit, with payment of balance over 12 months.

So a typical \$10,000 two-litre four cylinder car would cost a company a \$6000 deposit. At an average interest rate of 13 per cent, the balance of \$4000 would be paid off within a year at \$376.07 a month.

If the same vehicle were leased, the company would need to put down the sum of \$5000 at the inception of the lease because of a government requirement that half the cost of the car is advanced as forward rental.

But for the next 21 months of the 36-month lease period, the company need make no further payments since they are already covered. For the remaining 15 month balance, the monthly lease payments would be \$239.

At the end of the three years, the \$10,000 vehicle is considered to have a residual value of \$5120. Residual values are pre-determined by a set formula at commencement of the lease.

With the effects of inflation, vehicles are usually worth more than the residual value on the market. When the car is sold, the company obtains the benefit of the difference between the residual value and market price.

Local restrictions prevent the vehicle being sold to the company. But there is nothing to prevent the car being sold to a third party and then finding its way back to the party which leased the vehicle in the first place.

Leasing terms are usually taken out for two or three year periods, but there is nothing to prevent anyone leasing for a year — apart from the high cost.

"Leasing is really only good for businesses or professional people," a major finance house told National Business Review. "It is very expensive for a private person. The key to leasing is the releasing of cash for working capital. If you can't get the benefit from that, there's no point in leasing."

The \$8000 ceiling level for tax deductions on company cars which applies to hire purchase does not affect leasing.

All lease payments on business vehicles are usually tax deductible, and the taxation aspect makes leasing well worth close inspection. Advance rentals are tax deductible.

Existing relationships with vehicle suppliers (including discounts and maintenance agreements) are not affected. The company operates the vehicle as its own and even the registration plates are in the company's name.

Only the company or business involved, the vehicle supplier and the finance company know the vehicle is being leased.

New vehicles are most favoured for leasing, but the law permits the lease of a used car, provided it will be no more than five years-old at the termination of the lease period.

If the vehicle needs to be disposed of or replaced during the lease period, the finance company will adjust the residue value, again to a pre-determined formula, again set by the Inland Revenue Department.

No figures are as yet available on the breakdown of motor vehicle leasing in New Zealand.

Marac, the biggest finance company in car leasing, began the scheme in the early 1960s, and reports considerable expansion in recent years.

But restrictive local legislation and a Kiwi attitude that it's nice to own one's vehicle mean that even today leasing is not as popular as hire purchase.

"It's remarkable how many business people aren't at all fussed about not owning their premises, but they like the company car to be owned. They really should look at the financial side," says a finance company spokesman.

Leasing is big business in North America and Europe where there are no restrictions to hinder agreements. Three out of every four new cars in the United States — both business and private — are sold on lease.

Avia has just introduced a new "closed-end" full-maintenance lease scheme to New Zealand. Unlike conventional lease agreements, the Avia plan has no residual value, covers all maintenance costs and is, by its very nature, expensive.

Avia allows a monthly rate of 1000km and projects a maintenance schedule for individual fleet sizes. Charges are tailored to suit company requirements, bearing in mind average distances covered annually and the type of business.

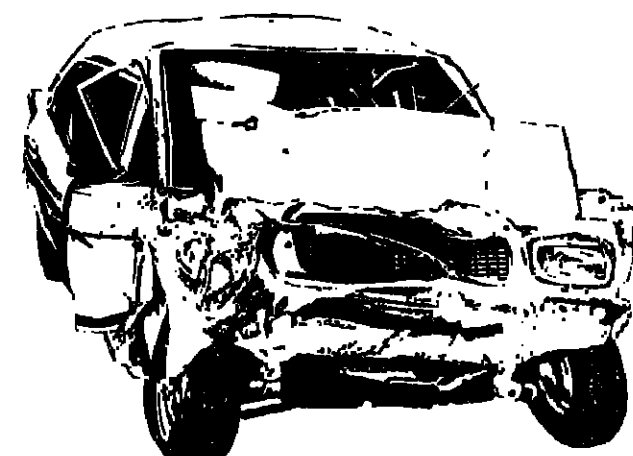
Since users merely put petrol in the vehicles, Avia says the scheme saves valuable administration time.

With rising prices for motor vehicles and increasing maintenance costs, finance companies believe leasing will expand in New Zealand. Motor vehicles leased as with other capital assets under similar agreements, do not show in the balance sheet as a

borrowing and therefore do not affect the capacity of the lessee to borrow from other sources.

Compared with other short

to medium term finance methods, leasing, because of tax deductibility, in many instances shows distinct cash flow advantages.



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